

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

FEB 02 2006

In the Matter of:

PUBLIC SERVICE  
COMMISSION

GENERAL ADJUSTMENT OF ELECTRIC RATES ) CASE NO.  
OF KENTUCKY POWER COMPANY ) 2005-00341

NOTICE OF FILING AND CERTIFICATION OF SERVICE

I hereby give notice that I have filed the original and eleven true copies of the foregoing Rebuttal Testimony of David Brown Kinloch with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 this the 2<sup>nd</sup> day of February, 2006, and certify that this same day I have served the parties by mailing a true copy, postage prepaid, to the following:

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PRESIDENT KY POWER  
AMERICAN ELECTRIC POWER  
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P O BOX 5190  
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SERVICE CORPORATION  
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**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**CASE NO. 2005-00341**

**GENERAL ADJUSTMENT OF ELECTRIC RATES OF  
KENTUCKY POWER COMPANY**

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PUBLIC SERVICE  
COMMISSION

**REBUTTAL TESTIMONY OF  
DAVID H. BROWN KINLOCH**

On Behalf of

**THE OFFICE OF THE ATTORNEY GENERAL  
FOR THE COMMONWEALTH OF KENTUCKY**

**FEBRUARY 2006**

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC )  
RATES OF KENTUCKY POWER COMPANY ) CASE NO. 2005-00341

**REBUTTAL TESTIMONY OF DAVID H. BROWN KINLOCH**

**Q1: PLEASE STATE YOUR NAME AND ADDRESS.**

A1: My name is David H. Brown Kinloch and my business address is Soft Energy Associates, 414 S. Wenzel Street, Louisville, KY 40204.

**Q2: FOR WHOM HAVE YOU PREPARED REBUTTAL TESTIMONY?**

A2: I have prepared this rebuttal testimony for the Office of the Attorney General for the Commonwealth of Kentucky.

**Q3: DID YOU ALSO PREPARE DIRECT TESTIMONY FOR THE OFFICE OF THE ATTORNEY GENERAL IN THIS CASE?**

A3: Yes I did.

1 **Q4: WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**  
2 **CASE?**

3 A4: I will present rebuttal testimony with respect to the testimony offered by Mr.  
4 Baron on behalf of KIUC. In my direct testimony in this case, I testified that the  
5 Cost of Service Study filed by Kentucky Power Company in this case was  
6 unacceptable because it relied upon “black box” calculations which could not be  
7 checked or verified. Therefore, I recommended that the Commission reject the  
8 Company’s study and rely upon the class allocations used in Kentucky Power’s  
9 last rate case, Case No. 91-066.

10 Since my direct testimony was filed, two important things have happened.  
11 First, Mr. Baron filed a series of Cost of Service Studies that rely on different  
12 demand allocators. In doing this, he first built a study that used the 12 CP  
13 demand allocation methodology in order to replicate the results of the Company’s  
14 “black box” study. Unlike the Company’s study, Mr. Baron used a spreadsheet in  
15 which costs could be tracked through the study to verify the results.

16 Secondly, on January 27, 2006, the Commission ruled not to reject the  
17 Company’s Cost of Service Study, as I had recommended, but instead to accept it  
18 as evidence in this case. Though the intermediate calculations producing the  
19 Company’s study results cannot be directly verified, in light of Mr. Baron’s  
20 ability to construct a study in which intermediate calculations can be viewed and  
21 verified, and which produces results to the Company’s, the results of the  
22 Company’s study results are thus verified.

23

1 **Q5: ARE THERE ANY PROBLEMS WITH THE COST OF SERVICE**  
2 **STUDIES PRESENTED BY MR. BARON AND THUS, BY DEFAULT, BY**  
3 **THE COMPANY?**

4 A5: Yes. The 12 CP study done by Mr. Baron, which confirms the results of the  
5 Company's study, along with the three additional studies done by Mr. Baron, all  
6 suffer from the same problem: they all rely upon demand allocation  
7 methodologies that have been rejected in the past by this Commission. Each of  
8 these demand allocation methodologies relies solely on peak load data. The one  
9 exception is the Average and Excess method which tends to produce results that  
10 favor high load factor customers even more than other methodologies because  
11 "excess" non-coincident peak demand is allocated almost completely to low load  
12 factor customers.

13

14 **Q6: YOU STATE THAT THE COMMISSION HAS REJECTED THE USE OF**  
15 **DEMAND ALLOCATION METHODOLOGIES THAT RELY SOLELY**  
16 **ON PEAK LOAD DATA. COULD YOU PROVIDE REFERENCE TO A**  
17 **SPECIFIC CASE WHERE THE COMMISSION REJECTED THE TYPES**  
18 **OF METHODOLOGIES PROPOSED BY MR. BARON IN THIS CASE?**

19 A6: Yes. A good example is the Louisville Gas and Electric (LG&E) rate case, Case  
20 No. 90-158. In that case, LG&E filed a Cost of Service Study that allocated  
21 production and transmission demand costs based on the Base-Intermediate-Peak  
22 (BIP) method. The BIP methodology is a time-differentiated embedded cost of  
23 service method that assigns at least some of the demand to all hours, not just a

1 few peak hours. Mr. Baron's client, KIUC, filed its own alternative Cost of  
2 Service Study that used a demand allocation method that relied solely on peak  
3 demands called the Probability of Peak (POP) method. The Commission rejected  
4 KIUC's proposed methodology saying,

5 "The Commission continues to believe that the BIP method is  
6 appropriate as a means of allocating production and transmission  
7 costs to the customer classes. The BIP method recognizes that  
8 LG&E's embedded production and transmission costs were  
9 incurred to meet all customer demand, not just that which is  
10 coincident with system peak. KIUC's proposed POP method  
11 places too much weight on coincident peak demand. If any  
12 customer has access to electricity whenever it is demanded, that  
13 customer should bear the responsibility of some portion of  
14 demand-related costs.

15 LG&E's electric cost-of-service study is acceptable and  
16 should be used as a starting point for electric rate design.<sup>1</sup>  
17

18 In the present case, both Kentucky Power and KIUC have offered Cost of  
19 Service Studies that allocate production and transmission costs solely based on  
20 system peak loads. These methodologies do not allocate costs on a basis that  
21 reflects the reality of supplying power to all classes whenever demanded, not just  
22 when demanded on peak. The Commission should again reject those methods as  
23 the basis for cost allocation.  
24

25 **Q7: DOES A TIME-DIFFERENTIATED DEMAND ALLOCATION**  
26 **METHODOLOGY SUCH AS THE BIP METHOD PRODUCE A**  
27 **SIGNIFICANTLY DIFFERENT RESULT?**

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<sup>1</sup> In the Matter of: The Adjustment of the Gas and Electric Rates of Louisville Gas and Electric Company, Order dated December 27, 1990, page 58.

1 A7: Yes. I have assembled a Cost of Service Study that uses the BIP method to  
2 allocate production and transmission demand costs. Since the Commission has  
3 now made a ruling that accepts the Company's study as evidence in this case, and  
4 Mr. Baron has confirmed the Company's 12 CP results with his own  
5 independently verifiable study, I have used the Company's study results as the  
6 starting point for my study. For this purpose, the Company's results are accepted  
7 as valid results using the 12 CP demand allocation method, though I continue to  
8 disagree that an allocation method which relies solely on peak demand should be  
9 used to allocate demand costs

10 Using and accepting the Company study's results as a starting point, I  
11 have then changed only the result-items that were allocated to rate classes based  
12 on a production or transmission allocator. Items such as distribution and  
13 administrative and general costs are accepted as is and are unchanged in my  
14 study.

15 Because the Company's study results were presented as simply numerical  
16 values, with no associated formulas, I first created a 12 CP model whose results  
17 replicate those of the Company. I have gone into the Company's results page and  
18 added formulas for all items that were allocated based on production or  
19 transmission demand, and also add formulas to results that included values from  
20 production and transmission items. To confirm that I have created and added the  
21 correct formulas, I produced a model that used the 12 CP allocators used by the  
22 Company, which can be found in Rebuttal Exhibit DHBK-R1. While these  
23 results are virtually identical to those found in the Company's study, Foust

1 Exhibit LCF-1, they include the formulas needed to allocate production and  
2 demand costs. I present Rebuttal Exhibit DHBK-R1 simply to confirm that my  
3 study model will produce the same results when 12 CP allocators are used, and  
4 not as an endorsement of the use of the 12 CP method.

5 My second step was to calculate the BIP allocator based on the  
6 Company's test-year loss-adjusted load data. To do this I started with class winter  
7 and summer coincident peak data and class off-peak energy use, found in  
8 Kentucky Power's response to the Attorney General's First Data Request, Item  
9 181, on pages 7 and 11. The BIP method calls for calculating class base loads  
10 using each classes' average demand during off-peak periods. In Rebuttal Exhibit  
11 DHBK-R2, I have divided class off-peak energy use by the number of off-peak  
12 hours to arrive at each classes' base period demand. The total base demand for all  
13 classes is divided by the system peak demand to determine the portion of demand  
14 costs to be allocated using class contributions to base demand. The remaining  
15 demand is allocated to winter (peak) and summer (intermediate) period, based on  
16 the relative level of coincident peak demand for these two periods.

17 The final step is to replace the 12 CP allocators in the Cost of Service  
18 Study with the BIP allocators calculated in Rebuttal Exhibit DHBK-R2. The  
19 resulting BIP based Cost of Service Study is found in Rebuttal Exhibit DHBK-  
20 R3.

21

22

1 **Q8: IF A TIME-DIFFERENTIATED DEMAND ALLOCATION**  
 2 **METHODOLOGY LIKE THAT THE COMMISSION HAS FOUND**  
 3 **ACCEPTABLE IN THE PAST IS USED, WHAT ARE THE RESULTS OF**  
 4 **THE COST OF SERVICE STUDY?**

5 A7: The results vary significantly from the results generated by the Company and  
 6 KIUC, which relied solely on peak data to allocate demand costs. The Company  
 7 and KIUC studies found that revenues from the Residential class did not even  
 8 cover its expenses and made no contribution to fixed costs. In addition, the  
 9 Company and KIUC studies based on coincident peak allocators show all classes  
 10 except the Residential (RS) and OL generated returns above overall total retail  
 11 return.

12 By contract, the results of the study using the time-differentiated BIP  
 13 methodology presented below show that while the residential class is covering its  
 14 cost and making some contribution to fixed costs, neither the CIP-TOD, OL nor  
 15 the RS classes produce a return at the level of overall return :

	<u>Rate Class</u>	<u>Percent of Total</u>
18	RS	0.39%
19	SGS	6.20%
20	MGS	10.23%
21	LGS	7.71%
22	QP	8.01%
23	CIP-TOD	3.10%
24	MW	6.52%
25	OL	-0.40%
26	SL	4.96%
27	Total Overall	3.31%

1           Using a time-differentiated demand allocator that the Commission has  
2 found acceptable in the past clearly produces quite different results. With an  
3 acceptable allocator, the Residential class is shown to be covering its expenses and  
4 making a contribution to fixed costs. That allocator also shows that there are  
5 three classes that are producing returns below the overall total return; the RS,  
6 CIP-TOD, and OL classes. This is significant because these three classes alone  
7 make up nearly two-thirds of Kentucky Power's sales and produce nearly two-  
8 thirds of all revenues. The Commission should be careful not to place too much  
9 burden on these three major classes.

10

11 **Q9: DO YOU AGREE WITH EITHER THE COMPANY'S PROPOSAL TO**  
12 **SHIFT 10% OF ANY SUBSIDIZATION TO THE RESIDENTIAL CLASS**  
13 **AND KIUC'S PROPOSED SHIFT OF 25%.**

14 A9: No. Both the Company and KIUC have used peak demand allocators that the  
15 Commission has found inferior to time-differentiated allocators. Because of this,  
16 the findings cannot be relied upon to determine where there are class subsidies  
17 and how costs should be changed to mitigate subsidies. For example, though the  
18 peak demand allocation studies say the CIP-TOD class is subsidizing other  
19 classes, the time-differentiated demand allocation shows the CIP-TOD class is  
20 producing a return which is below the average overall return and is being  
21 subsidized by other classes. Assigning costs as recommended by KIUC or the  
22 Company would aggravate the problem. Thus, if the proposal is that the  
23 Commission should use this case to shift costs to classes that are producing

1 returns below the overall return, then the CIP-TOD class would also need to  
2 accept an increase above the overall increase in this case.

3

4 **Q10: BASED ON THE RESULTS OF YOUR STUDY, WHAT IS YOUR**  
5 **RECOMMENDATION TO THE COMMISSION ON HOW TO**  
6 **ALLOCATE ANY REVENUE INCREASE AWARDED, BETWEEN THE**  
7 **RATE CLASSES?**

8 A10: I recommend that the Commission keep in mind that the three classes producing  
9 returns below the overall average are the major classes that make up nearly two-  
10 thirds of the Company's sales and revenues. It is important to not place to large a  
11 burden on these three classes because they are the backbone of the Company. As  
12 a result, I recommend that any revenue increase that the Commission awards to  
13 the Company should be allocated to the customer classes based on their portion of  
14 current revenues.

15

16 **Q11: DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

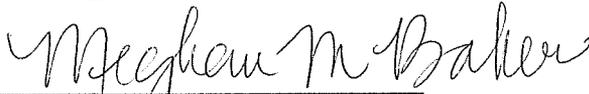
17 A11: Yes it does.

I, David H. Brown Kinloch, certify that the statements contained in the foregoing rebuttal testimony are true and correct to the best of my knowledge, information, and belief. Dated this 1st day of February, 2006.

  
David H. Brown Kinloch

Affirmed to and subscribed  
before me, this 1st day  
of ~~February~~ February, 2006.



  
Notary Public

My Commission Expires: May 12, 2009

MEGHAN M. BAKER  
Notary Public, State at Large, KY  
My Commission Expires May 12, 2009

# **REBUTTAL EXHIBIT**

**DHBK – R1**

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005  
Summary**

	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b>RATE BASE</b>										
GROSS UTILITY PLANT	1,336,938,136	690,649,209	22,354,354	129,335,535	147,576,744	115,178,044	200,475,882	1,198,858	26,786,524	3,382,985
TOTAL DEPRECIATION RESERVE	432,998,450	219,966,332	6,929,231	41,557,845	48,039,940	38,800,852	68,441,926	384,988	7,879,864	997,471
NET UTILITY PLANT	903,939,686	470,682,877	15,425,123	87,777,690	99,536,804	76,377,192	132,033,955	813,870	18,906,660	2,385,514
TOTAL CWIP	19,159,718	10,217,292	347,482	1,879,594	2,093,035	1,513,389	2,580,584	17,457	453,797	57,087
PLANT HELD FOR FUTURE USE TRANS	83,282	35,401	759	7,407	9,691	10,373	19,542	68	34	8
TOTAL WORKING CAPITAL	73,842,577	30,408,904	992,365	6,706,412	8,256,874	8,545,932	17,994,249	70,729	769,427	97,686
TOTAL RATE BASE OFFSETS	(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,713,942)	(11,437,121)	(19,404,758)	(120,732)	(2,660,796)	(325,583)
TOTAL RATE BASE	858,443,759	437,652,589	14,341,673	82,569,326	95,182,462	75,009,765	133,223,573	781,392	17,469,122	2,214,712
<b>OPERATING REVENUES</b>										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
TOTAL OPERATING REVENUE	346,056,753	135,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059
<b>OPERATING EXPENSES</b>										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	118,449,612	4,192,553	24,482,993	29,226,044	28,378,307	58,026,194	247,981	3,601,207	391,229
ADJUSTED DEPRECIATION EXPENSE	47,698,792	25,181,881	856,265	4,645,728	5,204,490	3,877,603	6,667,272	43,037	1,088,014	134,502
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
TOTAL STATE INCOME TAXES	(1,348,227)	(2,335,824)	61,116	527,629	181,974	162,018	69,434	2,909	(34,139)	16,657
FEDERAL INCOME TAXES	(3,660,566)	(9,849,487)	280,912	2,564,160	1,107,446	1,135,386	1,192,139	15,073	(175,219)	69,024
TOTAL EXPENSES	318,884,131	136,147,734	5,554,367	33,115,793	36,727,254	34,352,935	67,363,298	317,249	4,671,101	634,399
NET OPERATING INCOME	27,172,622	(961,899)	1,086,302	8,030,027	5,822,620	5,081,547	7,483,755	58,996	356,615	214,660
AFUDC OFFSET	1,234,029	587,830	16,218	115,050	139,787	126,615	232,778	1,065	13,009	1,675
ADJUSTED NET OPERATING INCOME	28,406,651	(374,069)	1,102,520	8,145,078	5,962,407	5,208,162	7,716,533	60,061	369,624	216,335
RATE OF RETURN %	3.31%	-0.09%	7.69%	9.86%	6.26%	6.94%	5.79%	7.69%	2.12%	9.77%
RATE OF RETURN INDEX	100	(3)	232	298	189	210	175	232	64	295

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b>ELECTRIC PLANT IN SERVICE</b>												
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	452,727,608	197,278,411	4,248,784	40,659,652	52,714,404	53,991,470	103,089,256	376,289	298,715	70,627
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	380,818,658	380,818,658	161,876,867	3,471,221	33,867,796	44,311,741	47,430,651	89,360,417	310,453	153,274	36,239
TRANSMISSION PLANT GSU TOTAL	PROD_DEMAND	1,577,091	1,577,091	687,226	14,801	141,639	183,632	188,081	359,115	1,311	1,041	246
TRANSMISSION PLANT			382,395,749	162,564,093	3,486,021	34,009,435	44,495,373	47,618,732	89,719,532	311,764	154,315	36,485
<b>DISTRIBUTION PLANT</b>												
360 LAND AND LAND RIGHTS	DIST_CPD		5,128,881	3,469,035	77,348	661,127	697,141	203,901	0	6,406	11,548	2,375
361 STRUCTURES AND IMPROVEMENTS	DIST_CPD		4,186,156	2,831,401	63,131	539,607	569,001	166,423	0	5,228	9,425	1,938
362 STATION EQUIPMENT	DIST_CPD		41,861,612	28,314,049	631,314	5,396,081	5,690,021	1,664,229	0	52,284	94,252	19,382
364 POLES	DIST_POLES		126,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	0	154,454	641,668	115,013
365 OVERHEAD LINES	DIST_OHLINES		102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	0	125,422	453,064	82,584
366 UNDERGROUND CONDUIT	DIST_UGLINES		3,053,885	2,174,074	55,056	370,136	358,221	75,880	0	3,732	14,214	2,574
367 UNDERGROUND LINES	DIST_UGLINES		5,923,247	4,216,785	106,784	717,907	694,797	147,176	0	7,238	27,568	4,992
368 TRANSFORMERS	DIST_TRANSF		84,645,406	65,272,101	1,941,723	9,172,683	7,301,425	0	0	99,632	732,928	124,914
369 SERVICES	DIST_SERV		31,586,289	20,547,459	2,542,225	1,628,486	99,567	0	0	2,987	6,757,741	7,823
370 METERS	DIST_METERS		20,937,281	9,482,984	3,791,663	3,107,766	2,533,860	1,602,733	413,817	4,457	0	0
371 INSTALLATIONS ON CUST PREMISES	DIST_OL		16,201,414	0	0	0	0	0	0	0	16,201,414	0
372 LEASED PROP ON CUST PREMISES	DIST_OL		0	0	0	0	0	0	0	0	0	0
373 STREET LIGHTING	DIST_SL		2,788,123	0	0	0	0	0	0	0	0	2,788,123
DISTRIBUTION PLANT TOTAL			445,596,962	299,944,584	13,376,603	49,295,028	44,626,288	9,386,261	413,817	461,841	24,943,822	3,149,718
PTD PLANT	FORMULA		1,280,720,319	659,787,088	21,111,408	123,964,115	141,835,065	110,996,463	193,222,605	1,149,893	25,396,852	3,256,830
GENERAL PLANT TOTAL	LABOR_M		49,011,035	26,380,860	1,132,858	4,574,389	4,902,929	3,780,163	6,711,963	41,097	1,365,129	121,647
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	1,722,182	750,450	16,162	154,670	200,526	205,384	392,153	1,431	1,136	269
<b>ELECTRIC PLANT IN SERVICE</b>			1,331,453,536	686,918,398	22,260,428	128,693,174	146,938,521	114,982,010	200,326,721	1,192,421	26,763,117	3,378,746
<b>ELECTRIC PLANT IN SERVICE - ADJUSTMENT</b>			5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
<b>GROSS UTILITY PLANT</b>	FORMULA		1,336,938,136	690,649,209	22,354,354	129,335,535	147,576,744	115,178,044	200,475,882	1,198,858	26,786,524	3,382,985
<b>DEPRECIATION RESERVE</b>												
PRODUCTION	RB_GUP_EPIS_P	172,837,498	172,837,498	75,314,839	1,622,055	15,522,607	20,124,741	20,612,285	39,356,312	143,656	114,040	26,963
TRANSMISSION	RB_GUP_EPIS_T	114,198,348	114,198,348	48,542,976	1,040,935	10,156,137	13,288,024	14,223,310	26,797,038	93,097	45,963	10,867
DISTRIBUTION	RB_GUP_EPIS_D		130,586,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G		14,698,381	7,911,605	339,743	1,371,857	1,470,386	1,133,669	2,012,914	12,325	409,401	36,482
HR-J POST IN-SERVICE	BULK_TRANS	678,019	678,019	295,450	6,363	60,893	78,947	80,859	154,390	564	447	106
TOTAL DEPRECIATION RESERVE			432,998,450	219,966,332	6,929,231	41,557,845	48,039,940	38,800,852	68,441,926	384,988	7,879,864	997,471
<b>NET UTILITY PLANT</b>	FORMULA		903,939,686	470,682,877	15,425,123	87,777,690	99,536,804	76,377,192	132,033,955	813,870	18,906,660	2,385,514

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	83,282	35,401	759	7,407	9,691	10,373	19,542	68	34	8
<b><u>WORKING CAPITAL</u></b>												
<b><u>WORKING CAPITAL CASH</u></b>												
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM		29,436,141	12,757,005	449,790	2,666,893	3,208,791	3,222,951	6,662,579	27,277	397,227	43,628
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	2,511,767	1,094,516	23,573	225,583	292,463	299,549	571,947	2,088	1,657	392
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY		13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH			45,120,342	18,328,610	605,640	4,067,342	5,020,698	5,292,070	11,226,637	43,182	476,483	59,681
WORKING CAPITAL CASH - ADJUSTMENT			3,938,374	2,049,197	74,279	393,481	444,464	324,337	590,696	3,721	52,924	5,275
<b><u>WORKING CAPITAL MATERIALS &amp; SUPPLIES</u></b>												
FUEL	PROD_ENERGY		10,524,611	3,577,139	105,688	938,704	1,214,016	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,261	5,089,261	2,217,672	47,762	457,069	592,580	606,936	1,158,860	4,230	3,358	794
TRANSMISSION AND DISTRIBUTION	TDPLANT		888,306	495,973	18,071	89,353	95,629	61,250	96,918	830	26,872	3,411
TOTAL MATERIALS & SUPPLIES			16,502,178	6,290,783	171,521	1,485,125	1,902,225	2,082,051	4,445,426	16,099	92,230	16,718
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT			3,542,537	1,204,049	35,574	315,963	408,632	475,900	1,073,621	3,716	20,869	4,212
WORKING CAPITAL PREPAYMENTS	RB_GUP_EPIS		655,315	338,088	10,956	63,340	72,320	56,592	98,597	587	13,172	1,663
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT			4,083,831	2,198,178	94,395	381,160	408,535	314,981	559,272	3,424	113,749	10,136
<b>TOTAL WORKING CAPITAL</b>	<b>FORMULA</b>		<b>73,842,577</b>	<b>30,408,904</b>	<b>992,365</b>	<b>6,706,412</b>	<b>8,256,874</b>	<b>8,545,932</b>	<b>17,994,249</b>	<b>70,729</b>	<b>769,427</b>	<b>97,686</b>
<b><u>CONSTRUCTION WORK IN PROGRESS</u></b>												
PRODUCTION	RB_GUP_EPIS_P	9,503,956	9,503,956	4,141,398	89,193	853,554	1,106,615	1,133,424	2,164,118	7,899	6,271	1,483
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	1,204,283	511,912	10,977	107,102	140,129	149,992	282,589	982	485	115
DISTRIBUTION	RB_GUP_EPIS_D		7,524,931	5,065,255	225,895	832,460	753,601	158,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G		926,548	498,727	21,417	86,478	92,689	71,464	126,889	777	25,808	2,300
TOTAL CWIP			19,159,718	10,217,292	347,482	1,879,594	2,093,035	1,513,389	2,580,584	17,457	453,797	57,087
<b><u>RATE BASE OFFSETS</u></b>												
DEFERRED FIT	RB_GUP		(127,983,435)	(66,028,723)	(2,139,741)	(12,370,386)	(14,124,185)	(11,052,427)	(19,256,024)	(114,619)	(2,572,554)	(324,775)
CUSTOMER ADVANCES	CUST_TOTAL		(56,784)	(31,705)	(1,156)	(5,712)	(5,517)	(146)	(48)	(6,113)	(4,726)	(807)
CUSTOMER DEPOSITS	CUST_DEP		(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	0	(83,516)	0
TOTAL RATE BASE OFFSETS			(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,713,942)	(11,437,121)	(19,404,758)	(120,732)	(2,660,796)	(325,583)
<b>TOTAL RATE BASE</b>	<b>FORMULA</b>		<b>858,443,759</b>	<b>437,652,589</b>	<b>14,341,673</b>	<b>82,569,326</b>	<b>95,182,462</b>	<b>75,009,765</b>	<b>133,223,573</b>	<b>781,392</b>	<b>17,469,122</b>	<b>2,214,712</b>

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b><u>OPERATING REVENUES</u></b>											
TOTAL REVENUE	REVSales	337,148,564	130,195,491	6,280,382	39,974,995	41,493,781	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS	REvYEC	195,124	(105,526)	116,329	74,844	145,482	(96,930)	0	1,457	61,686	(2,218)
SALES OF ELECTRICITY		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
<b><u>OTHER OPERATING REVENUES</u></b>											
FORFEITED DISCOUNTS	FORT	1,476,289	866,530	74,711	290,715	136,208	94,941	0	0	13,184	0
MISCELLANEOUS SERVICE REVENUE	RB_GUP_EPIS_D	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	DIST_POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	0	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	RB_GUP_EPIS_D	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	RB_GUP_EPIS_D	2,189,343	1,473,712	65,723	242,200	219,257	46,117	2,033	2,269	122,556	15,475
OTHER ELECTRIC REVENUE WHEELING	TRANS_TOTAL	172,219	73,206	1,570	15,316	20,039	21,450	40,412	140	69	16
OTHER ELECTRIC REVENUE PRODUCTION	PROD_ENERGY	5,856,518	1,990,532	58,811	522,350	675,550	786,758	1,774,909	6,143	34,501	6,963
TOTAL OTHER OPERATING REVENUES		12,983,134	6,734,212	269,617	1,458,565	1,416,918	1,021,869	1,817,991	12,432	221,866	29,662
OTHER OPERATING REVENUE - ADJUSTMENT		(4,270,069)	(1,638,341)	(25,659)	(362,584)	(506,308)	(610,764)	(1,155,593)	(3,225)	28,880	3,525
<b>TOTAL OPERATING REVENUE</b>		<b>346,056,753</b>	<b>135,185,836</b>	<b>6,640,669</b>	<b>41,145,820</b>	<b>42,549,874</b>	<b>39,434,482</b>	<b>74,847,053</b>	<b>376,244</b>	<b>5,027,716</b>	<b>849,059</b>

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>	
<b><u>OPERATION AND MAINTENANCE EXPENSE</u></b>												
<b><u>O&amp;M EXPENSE PRODUCTION</u></b>												
GENERATION EXPENSE DEMAND	PROD_DEMAND	17,732,601	17,732,601	7,727,073	166,418	1,592,572	2,064,737	2,114,758	4,037,838	14,739	11,700	2,766
GENERATION EXPENSE ENERGY	PROD_ENERGY		10,290,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,671	10,794	60,621	12,234
GENERATION EXPENSE FUEL	PROD_ENERGY		110,407,982	37,525,820	1,108,716	9,847,431	12,735,582	14,832,086	33,460,859	115,811	650,412	131,265
SYSTEM SALES	PROD_DEMAND	(20,094,132)	(20,094,132)	(8,756,123)	(188,581)	(1,804,662)	(2,339,708)	(2,396,390)	(4,575,575)	(16,701)	(13,258)	(3,135)
SYSTEM SALES	PROD_ENERGY		(105,379,475)	(35,816,715)	(1,058,220)	(9,398,932)	(12,155,543)	(14,156,562)	(31,936,892)	(110,536)	(620,789)	(125,287)
PURCHASED POWER DEMAND	PROD_DEMAND	70,249,303	70,249,303	30,611,499	659,280	6,309,119	8,179,643	8,377,804	15,996,260	58,388	46,351	10,959
PURCHASED POWER ENERGY	PROD_ENERGY		96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,893	566,632	114,357
SYSTEM CONTROL	PROD_DEMAND	2,769,001	2,769,001	1,206,607	25,987	248,685	322,415	330,226	630,521	2,301	1,827	432
TOTAL PRODUCTION EXPENSES			182,161,921	68,687,785	1,782,838	16,291,003	21,089,228	23,405,876	49,882,416	175,689	703,495	143,592
O&M EXPENSE TOTAL TRANSMISSION	TRANS_TOTAL	514,789	514,789	218,824	4,692	45,782	59,900	64,117	120,797	420	207	49
<b><u>DISTRIBUTION OPERATION EXPENSE</u></b>												
580 SUPERVISION & ENGINEERING	TOTOXEXP		890,661	580,069	39,751	100,698	90,030	24,113	2,236	835	46,359	6,570
581 LOAD DISPATCHING	DIST_CPD		339,546	229,660	5,121	43,768	46,153	13,499	0	424	764	167
582 STATION EXPENSES	DIST_CPD		206,824	139,890	3,119	26,660	28,112	8,222	0	258	466	96
583 OVERHEAD LINES	DIST_OHLINES		70,983	50,291	1,260	8,656	8,453	1,865	0	87	314	57
584 UNDERGROUND LINES	DIST_UGLINES		30,930	22,019	558	3,749	3,628	769	0	38	144	26
585 STREET LIGHTING	DIST_SL		11,424	0	0	0	0	0	0	0	0	11,424
586 METERS	DIST_METERS		507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	0	0
587 CUSTOMER INSTALLS	DIST_PCUST		266,495	173,191	21,428	13,826	963	37	0	25	56,960	66
588 MISCELLANEOUS DISTRIBUTION	RB_GUP_EPIS_D		2,692,528	1,812,421	80,828	297,866	269,649	56,717	2,500	2,791	150,724	19,032
589 RENTS	RB_GUP_EPIS_D		1,371,216	923,006	41,163	151,693	137,323	28,884	1,273	1,421	76,759	9,692
TOTAL DISTRIBUTION OPER EXP	FORMULA		6,387,913	4,160,318	285,099	722,217	645,707	172,939	16,037	5,987	332,488	47,121
<b><u>DISTRIBUTION MAINTENANCE EXPENSE</u></b>												
590 SUPERVISION & ENGINEERING	TOTMXEXP		12,353	8,436	227	1,429	1,373	285	1	14	497	91
591 STRUCTURES	DIST_CPD		7,628	5,159	115	983	1,037	303	0	10	17	4
592 STATION EQUIPMENT	DIST_CPD		670,333	453,395	10,109	86,408	91,115	26,649	0	837	1,509	310
593 OVERHEAD LINES	TOTOHLINES		11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	0	13,607	53,225	9,607
594 UNDERGROUND LINES	TOTUGLINES		103,865	73,942	1,872	12,589	12,183	2,581	0	127	483	88
595 LINE TRANSFORMER	DIST_TRANSF		604,245	465,948	13,861	65,480	52,122	0	0	711	5,232	892
596 STREET LIGHTING	DIST_SL		86,472	0	0	0	0	0	0	0	0	86,472
597 METERS	DIST_METERS		70,662	32,004	12,797	10,489	8,552	5,409	1,397	15	0	0
598 MISC DISTRIBUTION PLANT	DIST_OL		468,604	0	0	0	0	0	0	0	468,604	0
TOTAL DISTRIBUTION MAINT EXP	FORMULA		13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568	97,464
<b><u>CUSTOMER ACCOUNTS</u></b>												
901 SUPERVISION	TOTOX234		481,953	376,118	36,613	27,759	2,557	294	48	43	38,446	74
902 METER READ	CUST_902		2,067,779	1,641,348	203,075	197,218	22,525	2,897	477	239	0	0
903 CUSTOMER RECORDS	CUST_903		5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,086	1,196
904 UNCOLLECTIBLES	CUST_TOTAL		(20,325)	(13,200)	(1,633)	(1,056)	(79)	(8)	(1)	(2)	(4,341)	(5)
905 MISCELLANEOUS	TOTOX234		15,976	12,468	1,214	920	85	10	2	1	1,274	2
TOTAL CUSTOMER ACCOUNTS			8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466	1,267
TOTAL CUSTOMER SERVICES	CUST_TOTAL		1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270	338

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPC CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b>ADMINISTRATIVE &amp; GENERAL EXPENSE</b>												
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	9,052,131	3,944,513	84,953	812,976	1,054,006	1,079,541	2,061,234	7,524	5,973	1,412
A&G PRODUCTION ENERGY	PROD_ENERGY		2,655,730	902,638	26,669	236,868	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,768	1,702,768	723,806	15,521	151,434	198,133	212,078	399,560	1,388	685	162
A&G DISTRIBUTION	EXP_OM_DIST		7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,886
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT		2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV		642,816	417,474	51,652	33,390	2,494	246	40	61	137,301	159
A&G REGULATORY RECLASSIFIED	FORMULA		30,211	11,666	563	3,582	3,718	3,505	6,647	33	423	73
<b>TOTAL A &amp; G EXPENSES</b>			<b>23,617,485</b>	<b>12,654,175</b>	<b>546,127</b>	<b>2,204,725</b>	<b>2,362,726</b>	<b>1,831,220</b>	<b>3,279,066</b>	<b>19,933</b>	<b>660,320</b>	<b>59,194</b>
<b>TOTAL O&amp;M EXPENSES</b>												
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT			31,506,995	16,393,575	594,233	3,147,850	3,555,715	2,594,697	4,725,565	29,764	423,392	42,204
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA		266,996,120	118,449,612	4,192,553	24,482,993	29,226,044	28,378,307	58,026,194	247,981	3,601,207	391,229
<b>DEPRECIATION EXPENSE</b>												
PRODUCTION	RB_GUP_EPIS_P	17,327,512	17,327,512	7,560,554	162,616	1,556,191	2,017,570	2,066,448	3,945,596	14,402	11,433	2,703
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	6,690,652	2,844,036	60,986	595,028	778,519	833,315	1,569,985	5,454	2,693	637
DISTRIBUTION	RB_GUP_EPIS_D		15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,999	111,246
GENERAL PLANT	RB_GUP_EPIS_G		4,287,524	2,307,818	99,103	400,171	428,912	330,692	587,168	3,595	119,423	10,642
<b>TOTAL DEPRECIATION EXPENSE</b>			<b>44,043,880</b>	<b>23,296,253</b>	<b>795,159</b>	<b>4,292,458</b>	<b>4,801,136</b>	<b>3,561,971</b>	<b>6,117,364</b>	<b>39,763</b>	<b>1,014,548</b>	<b>125,228</b>
DEPRECIATION EXPENSE - ADJUSTMENT			3,654,912	1,885,628	61,106	353,270	403,354	315,632	549,908	3,273	73,466	9,275
ADJUSTED DEPRECIATION EXPENSE	FORMULA		47,698,792	25,181,881	856,265	4,645,728	5,204,490	3,877,603	6,667,272	43,037	1,088,014	134,502
<b>TAXES OTHER THAN INCOME</b>												
FEDERAL INSURANCE TAX	LABOR_M		2,152,118	1,158,407	49,745	200,865	215,292	165,990	294,728	1,805	59,944	5,342
FEDERAL UNEMPLOYMENT TAX	LABOR_M		25,730	13,850	595	2,401	2,574	1,985	3,524	22	717	64
KENTUCKY SALES & USE TAX	TDPLANT		212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP		6,984,383	3,603,356	116,771	675,084	770,793	603,159	1,050,850	6,255	140,391	17,724
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP		584	301	10	56	64	50	88	1	12	1
KENTUCKY UNEMPLOYMENT TAX	LABOR_M		17,259	9,290	399	1,611	1,727	1,331	2,364	14	481	43
KENTUCKY PSC MAINTENANCE TAX RECLASSIFIED	FORMULA		504,415	194,788	9,396	59,807	62,080	58,529	110,989	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP		99	51	2	10	11	9	16	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	89,805	39,133	843	8,065	10,457	10,710	20,449	75	59	14
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP		3,271	1,688	55	316	361	282	492	3	66	8
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M		2,973	1,600	69	277	297	229	407	2	83	7
WEST VIRGINIA FRANCHISE TAX	LABOR_M		23,533	12,667	544	2,196	2,354	1,815	3,223	20	655	58
WEST VIRGINIA LICENSE TAX	LABOR_M		275	148	6	26	28	21	38	0	8	1
WYOMING LICENSE TAX	PROD_DEMAND	49	49	21	0	4	6	6	11	0	0	0
FRINGE BENEFIT LOADING FICA	LABOR_M		(805,537)	(433,591)	(18,619)	(75,184)	(80,584)	(62,130)	(110,317)	(675)	(22,437)	(1,999)
FRINGE BENEFIT LOADING FUT	LABOR_M		(12,251)	(6,594)	(283)	(1,143)	(1,226)	(945)	(1,678)	(10)	(341)	(30)
FRINGE BENEFIT LOADING SUT	LABOR_M		(5,307)	(2,857)	(123)	(495)	(531)	(409)	(727)	(4)	(148)	(13)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP		(44,296)	(22,853)	(741)	(4,281)	(4,888)	(3,825)	(6,665)	(40)	(890)	(112)
<b>TOTAL TAXES OTHER THAN INCOME</b>			<b>8,937,315</b>	<b>4,569,523</b>	<b>158,673</b>	<b>869,638</b>	<b>978,837</b>	<b>776,822</b>	<b>1,367,815</b>	<b>8,014</b>	<b>185,662</b>	<b>22,332</b>
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT			260,696	132,029	4,850	25,645	28,462	22,799	40,444	235	5,577	654
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA		9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
<b>TOTAL OPERATING REVENUE</b>			<b>346,056,753</b>	<b>135,185,836</b>	<b>6,640,669</b>	<b>41,145,820</b>	<b>42,549,874</b>	<b>39,434,482</b>	<b>74,847,053</b>	<b>376,244</b>	<b>5,027,716</b>	<b>849,059</b>
<b>TOTAL OPERATING EXPENSE BEFORE TAXES</b>			<b>323,892,923</b>	<b>148,333,046</b>	<b>5,212,340</b>	<b>30,024,003</b>	<b>35,437,834</b>	<b>33,055,530</b>	<b>66,101,725</b>	<b>299,267</b>	<b>4,880,459</b>	<b>548,718</b>
<b>GROSS OPERATING INCOME</b>	FORMULA		<b>22,163,830</b>	<b>(13,147,210)</b>	<b>1,428,329</b>	<b>11,121,817</b>	<b>7,112,040</b>	<b>6,378,952</b>	<b>8,745,328</b>	<b>76,977</b>	<b>147,257</b>	<b>300,341</b>
INTEREST CHARGE TAX	RATEBASE		(28,829,564)	(14,697,748)	(481,640)	(2,772,955)	(3,196,541)	(2,519,048)	(4,474,019)	(26,445)	(586,772)	(74,397)
INTEREST SYNCRONIZATION TAX	RATEBASE		1,221,632	622,806	20,409	117,502	135,451	106,743	189,583	1,121	24,864	3,153
<b>NET OPER INCOME BEFORE INCOME TAX</b>	FORMULA		<b>(5,444,102)</b>	<b>(27,222,152)</b>	<b>967,099</b>	<b>8,466,364</b>	<b>4,050,950</b>	<b>3,966,646</b>	<b>4,460,893</b>	<b>51,653</b>	<b>(414,651)</b>	<b>229,097</b>

OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005

	METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP-TOD	MW	OL	SL
<b>INCOME TAXES</b>											
<b>SCHEDULE M INCOME ADJUSTMENTS</b>											
BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	(6,012,634)	(3,102,015)	(100,525)	(581,158)	(663,551)	(519,241)	(904,644)	(5,385)	(120,858)	(15,258)
BOOK VS TAX DEPRECIATION FLOWTHRU	RB_GUP	7,015,140	3,619,224	117,285	678,056	774,187	605,815	1,055,478	6,283	141,009	17,802
ABFUDC	RB_CWIP	(268,834)	(143,362)	(4,876)	(29,368)	(29,368)	(21,234)	(36,208)	(245)	(6,367)	(801)
INTEREST CAPITALIZATION	RB_GUP	465,437	240,126	7,782	44,997	51,365	40,194	70,028	417	9,356	1,181
CUSTOMER ADVANCES	CUST_TOTAL	1,030	669	83	54	4	0	0	0	220	0
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	200
PERCENT REPAIR ALLOWANCE	RB_GUP	(297,000)	(153,227)	(4,966)	(28,707)	(32,777)	(25,648)	(44,686)	(266)	(5,970)	(754)
REMOVAL COSTS	RB_GUP	(5,261,850)	(2,714,673)	(87,972)	(508,590)	(580,695)	(454,404)	(791,683)	(4,712)	(105,767)	(13,353)
DEFERRED FUEL	FUELREV	(4,802,865)	(1,601,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
TAX AMORTIZATION OF POLLUTION CONTROL	PROD_DEMAND	(11,879,328)	(5,176,479)	(111,486)	(1,066,887)	(1,383,197)	(1,416,707)	(2,705,006)	(9,874)	(7,838)	(1,853)
CAPITALIZED RELOCATION COSTS	RB_GUP	(187,110)	(96,533)	(3,128)	(18,085)	(20,649)	(16,158)	(28,152)	(168)	(3,761)	(475)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	(5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(697,639)	(1,573,859)	(5,447)	(30,593)	(6,174)
PROVISION FOR WORKERS COMP	LABOR_M	(203,472)	(109,522)	(4,703)	(18,991)	(20,355)	(15,694)	(27,865)	(171)	(5,667)	(605)
ACCRUED BOOK PENSION EXPENSE	LABOR_M	573,275	362,399	15,562	62,839	67,353	51,929	92,204	565	18,753	1,671
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	20,125	10,833	465	1,878	2,013	1,552	2,756	17	561	50
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	73,185	39,393	1,692	6,831	7,321	5,645	10,023	61	2,038	182
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	(586,005)	(380,578)	(47,087)	(30,439)	(2,274)	(224)	(37)	(55)	(125,166)	(145)
REG ASSET ON UNREALIZED LOSS FWD CMMT	PROD_ENERGY	173,273	58,893	1,740	15,454	19,987	23,277	52,513	182	1,021	206
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	57,444	19,524	577	5,124	6,626	7,717	17,409	60	338	68
AOFUDC - HR/J	BULK_TRANS	11,205	4,883	105	1,006	1,305	1,336	2,551	9	7	2
POST RETIREMENT BENEFIT PAYMENT	RB_GUP	(111,083)	(57,310)	(1,857)	(10,737)	(12,259)	(9,593)	(16,713)	(99)	(2,233)	(282)
ADVANCE RENTAL INCOME	REV_OTHER	(24,844)	(12,886)	(516)	(2,791)	(2,711)	(1,955)	(3,479)	(24)	(425)	(57)
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP	80,394	41,477	1,344	7,771	8,872	6,943	12,096	72	1,616	204
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	LABOR_M	34,482	18,560	797	3,218	3,449	2,660	4,722	29	960	86
VACATION PAY SEC 481	LABOR_M	134,841	72,580	3,117	12,585	13,489	10,400	18,466	113	3,756	335
SEC 481 3-YR ADJ PROPERTY TAX	RB_GUP	206	106	3	20	23	18	31	0	4	1
DEFERRED COMPENSATION PAYMENTS	LABOR_M	(24,856)	(13,379)	(575)	(2,320)	(2,487)	(1,917)	(3,404)	(21)	(692)	(62)
ACCRUED STATE INCOME TAX EXPENSE	REV	95,635	37,351	1,820	11,331	11,754	10,932	20,748	104	1,365	231
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	(147,206)	(62,580)	(1,342)	(13,092)	(17,129)	(18,331)	(34,538)	(120)	(59)	(14)
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	(75,416)	(32,061)	(688)	(6,707)	(8,775)	(9,391)	(17,694)	(61)	(30)	(7)
DEFERRED BOOK CONTRACT REVENUE	REV	(10,923)	(4,266)	(208)	(1,294)	(1,342)	(1,249)	(2,370)	(12)	(166)	(26)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	2,758,889	1,485,010	63,770	257,498	275,992	212,790	377,824	2,313	76,845	6,848
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	1,828,429	621,452	18,361	163,080	210,910	245,629	554,134	1,918	10,771	2,174
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	(93,324)	(31,719)	(937)	(8,324)	(10,765)	(12,537)	(26,283)	(98)	(550)	(111)
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	(374,055)	(127,135)	(3,756)	(33,362)	(43,147)	(50,250)	(113,363)	(392)	(2,204)	(445)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	PROD_ENERGY	3,306,097	1,123,687	33,200	294,875	381,359	444,137	1,001,964	3,468	19,476	3,931
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	219,950	93,505	2,005	19,562	25,593	27,390	51,606	179	89	21
CAPITALIZED SOFTWARE COSTS TAX	RB_GUP	(10,781)	(5,562)	(180)	(1,042)	(1,190)	(931)	(1,622)	(10)	(217)	(27)
CAPITALIZED SOFTWARE COSTS BOOK	RB_GUP	1,123,198	579,476	18,779	108,564	123,956	96,997	168,993	1,006	22,577	2,850
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	(504,384)	(260,220)	(8,433)	(48,752)	(55,664)	(43,558)	(75,888)	(452)	(10,138)	(1,280)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	(248,345)	(133,675)	(5,740)	(23,179)	(24,844)	(19,155)	(34,010)	(208)	(6,917)	(616)
BOOK DEFERRAL MERGER COSTS	REV	528,635	206,855	10,078	62,754	65,094	60,542	114,903	574	7,557	1,278
SFAS 109 DEFERRED SIT LIABILITY	REV	(7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	(819,350)	(1,555,061)	(7,764)	(102,279)	(17,300)
REG ASSET SFAS 109 DEFERRED SIT LIABILITY	REV	7,167,903	2,799,507	136,397	849,288	880,956	819,350	1,555,061	7,764	102,279	17,300
REG ASSET ACCRUED SFAS 112	LABOR_M	204,015	109,814	4,716	19,042	20,409	15,735	27,939	171	5,683	506
1977 - 1980 IRS AUDIT SETTLEMENT	REV	(17,736)	(6,927)	(337)	(2,101)	(2,180)	(2,027)	(3,848)	(19)	(253)	(43)
1985 - 1987 IRS AUDIT SETTLEMENT	REV	(824)	(322)	(16)	(98)	(101)	(94)	(179)	(1)	(12)	(2)
IRS AUDIT SETTLEMENTS PERM	REV	6,789	2,652	129	804	834	776	1,473	7	97	16
MANUFACTURING DEDUCTION	PROD_DEMAND	(627,096)	(273,260)	(5,885)	(56,320)	(73,017)	(74,786)	(142,794)	(521)	(414)	(98)
<b>TOTAL SCHEDULE M ADJUSTMENTS</b>		<b>(18,067,702)</b>	<b>(7,482,979)</b>	<b>(189,711)</b>	<b>(1,586,405)</b>	<b>(2,054,545)</b>	<b>(2,187,772)</b>	<b>(4,403,565)</b>	<b>(15,672)</b>	<b>(138,885)</b>	<b>(8,168)</b>
<b>SCHEDULE M - ADJUSTMENT</b>		<b>4,834,630</b>	<b>2,278,880</b>	<b>72,733</b>	<b>456,681</b>	<b>538,229</b>	<b>476,989</b>	<b>915,659</b>	<b>4,489</b>	<b>80,314</b>	<b>10,656</b>

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
BONUS DEPRECIATION ADJUSTMENT FOR STATE	RB_GUP	(55,930)	(28,855)	(935)	(5,406)	(6,172)	(4,830)	(8,415)	(50)	(1,124)	(142)
STATE TAXABLE INCOME	FORMULA	(18,733,104)	(32,455,105)	849,185	7,331,233	2,528,461	2,251,034	964,572	40,420	(474,347)	231,442
STATE INCOME TAX KENTUCKY	FORMULA	(1,311,317)	(2,271,878)	59,442	513,185	176,992	157,583	67,533	2,829	(33,205)	16,201
STATE INCOME TAX OHIO	FORMULA	(28,997)	(50,238)	1,314	11,348	3,914	3,485	1,493	63	(734)	358
STATE INCOME TAX WEST VIRGINIA	FORMULA	(7,912)	(13,708)	359	3,096	1,068	951	407	17	(200)	98
TOTAL STATE INCOME TAXES		(1,348,227)	(2,335,824)	61,116	527,629	181,974	162,018	69,434	2,909	(34,139)	16,657
TAXABLE OPERATING INCOME	FORMULA	(17,328,947)	(30,090,426)	789,005	6,809,010	2,352,660	2,093,846	903,553	37,561	(439,083)	214,927
GROSS CURRENT FIT	FORMULA	(6,065,132)	(10,531,752)	276,149	2,383,145	823,430	732,897	316,311	13,146	(153,682)	75,224
FEEDBACK PRIOR ITC NORMALIZATION TAX	RB_GUP	(1,156,997)	(596,913)	(19,344)	(111,831)	(127,686)	(99,916)	(174,078)	(1,036)	(23,256)	(2,936)
CURRENT FIT AND ITC	FORMULA	(7,222,129)	(11,128,666)	256,805	2,271,314	695,745	632,981	142,232	12,110	(176,938)	72,288
<u>DEFERRED FIT - CURRENT YEAR</u>											
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	1,793,574	925,334	29,987	173,360	197,938	154,890	269,856	1,606	36,052	4,551
ABFUDC	RB_CWIP	101,807	54,291	1,846	9,987	11,122	8,041	13,712	93	2,411	303
WSEC 482 PENSION/OPEB ADJUSTMENT	LABOR_M	(72)	(39)	(2)	(7)	(7)	(6)	(10)	(0)	(2)	(0)
INTEREST CAPITALIZATION	RB_GUP	(162,904)	(84,045)	(2,724)	(15,746)	(17,978)	(14,068)	(24,510)	(146)	(3,274)	(413)
CUSTOMER ADVANCES	CUST_TOTAL	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	RB_GUP	103,950	53,629	1,738	10,047	11,472	8,977	15,640	93	2,089	264
TAX AMORTIZATION POLLUTION CONTROL	PROD_DEMAND	4,157,765	1,811,768	39,020	373,411	484,119	495,847	946,752	3,456	2,743	649
CAPITALIZED RELOCATION COSTS	RB_GUP	65,489	33,787	1,095	6,330	7,227	5,656	9,853	59	1,316	166
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	LABOR_M	71,215	38,332	1,646	6,647	7,124	5,493	9,753	60	1,984	177
ACCRUED BOOK PENSION EXPENSE	LABOR_M	(235,644)	(126,839)	(5,447)	(21,994)	(23,573)	(18,175)	(32,271)	(198)	(5,564)	(585)
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	(7,044)	(3,792)	(163)	(657)	(705)	(543)	(965)	(6)	(196)	(17)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	(25,615)	(13,788)	(592)	(2,391)	(2,562)	(1,976)	(3,508)	(21)	(713)	(64)
POST RETIREMENT BENEFIT	RB_GUP	(253,642)	(130,858)	(4,241)	(24,516)	(27,992)	(21,904)	(38,162)	(227)	(5,098)	(644)
DEFERRED FUEL EXPENSE	FUELREV	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,968
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	205,103	133,203	16,480	10,654	796	78	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	PROD_ENERGY	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(8,147)	(18,379)	(64)	(357)	(72)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	(20,105)	(6,833)	(202)	(1,793)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
DEFERRED COMPENSATION BOOK EXPENSE	LABOR_M	8,700	4,683	201	812	870	671	1,191	7	242	22
ACCRUED STATE INCOME TAX EXPENSE	REV	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	51,522	21,903	470	4,582	5,995	6,416	12,088	42	21	5
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	26,395	11,221	241	2,348	3,071	3,287	6,193	22	11	3
DEFERRED BOOK CONTRACT REVENUE	REV	3,823	1,493	73	453	470	437	829	4	55	9
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	(965,612)	(519,754)	(22,319)	(90,124)	(96,597)	(74,477)	(132,239)	(810)	(26,896)	(2,397)
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	(639,950)	(217,508)	(6,426)	(57,078)	(73,818)	(85,970)	(193,947)	(671)	(3,770)	(761)
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	130,920	44,498	1,315	11,677	15,102	17,588	39,677	137	771	156
REG ASSET UNREAL MTM GAIN DEFERRAL	PROD_ENERGY	(1,157,133)	(393,290)	(11,620)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	(76,982)	(32,727)	(702)	(6,847)	(8,958)	(9,586)	(18,062)	(63)	(31)	(7)
CAPITALIZED SOFTWARE COST TAX	RB_GUP	3,773	1,947	63	365	416	326	568	3	76	10
CAPITALIZED SOFTWARE COST BOOK	RB_GUP	(393,117)	(202,815)	(6,572)	(37,997)	(43,384)	(33,949)	(59,147)	(352)	(7,902)	(998)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	176,535	91,077	2,951	17,063	19,482	15,245	26,561	158	3,548	448
ADVANCE RENTAL INCOME	REV_OTHER	8,696	4,511	181	977	949	684	1,218	8	149	20
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP	(28,139)	(14,517)	(470)	(2,720)	(3,105)	(2,430)	(4,234)	(25)	(566)	(71)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	86,923	46,787	2,009	8,113	8,696	6,704	11,904	73	2,421	216
BOOK DEFERRAL MERGER COSTS	REV	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,216)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	LABOR_M	(71,407)	(38,436)	(1,651)	(6,665)	(7,143)	(5,508)	(9,779)	(60)	(1,989)	(177)
1977 - 1980 IRS AUDIT SETTLEMENT	REV	6,208	2,425	118	736	763	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	REV	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	LABOR_M	(47,195)	(25,403)	(1,091)	(4,405)	(4,721)	(3,640)	(6,463)	(40)	(1,315)	(117)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT		(1,338,731)	(613,883)	(19,433)	(125,564)	(149,471)	(137,025)	(268,589)	(1,253)	(20,716)	(2,797)
TOTAL CURRENT YEAR DFIT		4,801,854	1,928,073	45,578	413,478	547,999	605,689	1,228,332	4,082	28,511	113

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>DEFERRED FIT - PRIOR YEAR</u>											
TAXES CAPITALIZED	RB_GUP	(63,617)	(32,821)	(1,064)	(6,149)	(7,021)	(5,494)	(9,572)	(57)	(1,279)	(161)
PENSIONS CAPITALIZED	RB_GUP	(8,538)	(4,405)	(143)	(825)	(942)	(737)	(1,285)	(8)	(172)	(22)
SAVING PLAN CAPITALIZED	RB_GUP	(4,055)	(2,092)	(68)	(392)	(448)	(350)	(610)	(4)	(82)	(10)
ABFUDC	RB_CWIP	(519,030)	(276,784)	(9,413)	(50,918)	(56,700)	(40,996)	(69,906)	(473)	(12,293)	(1,546)
INTEREST CAPITALIZED	RB_GUP	249,355	128,646	4,169	24,102	27,519	21,534	37,517	223	5,012	633
ADR REPAIR ALLOWANCE	RB_GUP	(387,726)	(200,034)	(6,482)	(37,476)	(42,789)	(33,483)	(58,336)	(347)	(7,794)	(984)
BOOK VS TAX DEPRECIATION	RB_GUP	(506,680)	(261,404)	(8,471)	(48,974)	(55,917)	(43,756)	(76,234)	(454)	(10,185)	(1,286)
TOTAL PRIOR YEAR DFIT		(1,240,291)	(648,894)	(21,472)	(120,632)	(136,298)	(103,283)	(178,425)	(1,119)	(26,791)	(3,377)
FEDERAL INCOME TAXES	FORMULA	(3,660,566)	(9,849,487)	280,912	2,564,160	1,107,446	1,135,386	1,192,139	15,073	(175,219)	69,024
TOTAL INCOME TAXES		(5,008,792)	(12,185,312)	342,027	3,091,789	1,289,420	1,297,404	1,261,573	17,982	(209,358)	85,681
TOTAL EXPENSES	FORMULA	318,884,131	136,147,734	5,554,367	33,115,793	36,727,254	34,352,935	67,363,298	317,249	4,671,101	634,399
NET OPERATING INCOME	FORMULA	27,172,622	(961,899)	1,086,302	8,030,027	5,822,620	5,081,547	7,483,755	58,996	356,615	214,660
<u>AFUDC OFFSET</u>											
PRODUCTION	PROD_DEMAND	400,313	400,313	174,438	3,757	35,952	46,611	47,741	91,154	333	264
TRANSMISSION	TRANS_TOTAL	90,711	90,711	38,559	827	8,067	10,555	11,298	21,286	74	37
DISTRIBUTION	RB_GUP_EPIS_D	101,043	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656
GENERAL	LABOR_M	16,455	16,455	8,857	380	1,536	1,646	1,269	2,253	14	458
AFUDC OFFSET		608,522	608,522	289,870	7,997	56,733	68,932	62,436	114,787	525	6,415
AFUDC OFFSET ADJUSTMENT - ADJUSTMENT		625,507	625,507	297,961	8,221	58,317	70,856	64,179	117,991	540	6,594
ADJUSTED NET OPERATING INCOME	FORMULA	28,406,651	-374,069	1,102,520	8,145,078	5,962,407	5,208,162	7,716,533	60,061	369,624	216,335

OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005

	<u>METHOD</u>	<u>CATEGORY</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b>REVENUE REQUIREMENT ANALYSIS</b>												
TOTAL RATE BASE			858,443,759	437,652,589	14,341,673	82,569,326	95,182,462	75,009,765	133,223,573	781,392	17,469,122	2,214,712
ADJUSTED NET OPERATING INCOME	FORMULA		28,406,651	-374,069	1,102,520	8,145,078	5,962,407	5,208,162	7,716,533	60,061	369,624	216,335
CURRENT RATE OF RETURN			3.31%	-0.09%	7.69%	9.86%	6.26%	6.94%	5.79%	7.69%	2.12%	9.77%
TOTAL EXPENSES	FORMULA		318,884,131	136,147,734	5,554,367	33,115,793	36,727,254	34,352,935	67,363,298	317,249	4,671,101	634,399
TOTAL OPERATING REVENUE	FORMULA		346,056,753	135,185,836	6,640,669	41,145,820	42,549,874	39,434,482	74,847,053	376,244	5,027,716	849,059
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
SALES OF ELECTRICITY	FORMULA		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN			7.84%	4.79%	11.78%	13.74%	10.50%	11.11%	10.08%	11.82%	6.77%	13.66%
REQUIRED INCOME	FORMULA		67,308,241	20,944,201	1,689,635	11,345,527	9,994,430	8,334,654	13,422,781	92,344	1,182,248	302,421
INCOME INCREASE	FORMULA		38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,706,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR			1.665645									
PROPOSED REVENUE INCREASE			64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,626	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE			19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA		410,852,992	170,694,505	7,618,594	46,476,632	49,265,793	44,642,108	84,351,637	430,017	6,381,259	992,447
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,095,871	243,958	1,095,981	910,611	411,105	662,398	9,207	250,747	33,187
REQUIRED RATE REVENUE	FORMULA		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

**OFFICE OF THE ATTORNEY GENERAL  
12CP - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>CATEGORY</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
Production Allocator	12 CP		100.0000%	43.5755%	0.9385%	8.9810%	11.6437%	11.9258%	22.7707%	0.0831%	0.0660%	0.0156%
Bulk Transmission Allocator	12 CP		100.0000%	43.5755%	0.9385%	8.9810%	11.6437%	11.9258%	22.7707%	0.0831%	0.0660%	0.0156%
Sub Transmission Allocator	KPCo		100.0000%	40.8373%	0.8693%	8.7564%	11.6237%	13.2825%	24.5518%	0.0790%	0.0000%	0.0000%
Transmission Total	KPCo FORMULA		100.0000%	42.5076%	0.9115%	8.8934%	11.6359%	12.4549%	23.4653%	0.0815%	0.0402%	0.0095%
RB_GUP_EPIS_P	12 CP		100.0000%	43.5755%	0.9385%	8.9810%	11.6437%	11.9258%	22.7707%	0.0831%	0.0660%	0.0156%
RB_GUP_EPIS_T	KPCo FORMULA		100.0000%	42.5076%	0.9115%	8.8934%	11.6359%	12.4549%	23.4653%	0.0815%	0.0402%	0.0095%

# **REBUTTAL EXHIBIT**

**DHBK – R2**

# CALCULATION OF B-I-P DEMAND ALLOCATOR

	BASE	BASE	BASE	INTERMEDIATE	INTERMEDIATE	INTERMEDIATE	PEAK	PEAK	PEAK		
	Off-Peak Loss Adjusted Energy	Off-Peak Average Demand	Class Total Off-Peak Average Demand	Percent Of Total	Intermediate Coincident Peak Adjusted	Class Total Intermediate Coincident Peak	Percent Of Total	System Coincident Peak Adjusted	Class Total System Coincident Peak	Percent Of Total	Production and Transmission B-I-P Allocator
RS	1,414,147,033	276,741	276,741	34.70%	497,263	497,263	43.08%	843,113	843,113	54.24%	41.65%
SGS	41,537,098	8,129	8,129	1.02%	14,547	14,547	1.26%	17,209	17,209	1.11%	1.10%
MGS-SEC	318,205,805	62,271			122,872			117,273			
MGS-PRI	10,250,695	2,006			5,706			4,946			
MGS-SUB	2,400,760	470			1,491			687			
<b>MGS-TOTAL</b>			<b>64,747</b>	<b>8.12%</b>		<b>130,069</b>	<b>11.27%</b>		<b>122,906</b>	<b>7.91%</b>	<b>8.79%</b>
LGS-SEC	303,592,218	59,411			89,974			120,737			
LGS-PRI	65,057,258	12,731			16,977			27,231			
LGS-SUB	60,373,992	11,815			15,207			23,659			
<b>LGS-TOTAL</b>			<b>83,958</b>	<b>10.53%</b>		<b>122,158</b>	<b>10.58%</b>		<b>171,627</b>	<b>11.04%</b>	<b>10.67%</b>
QP-PRI-C	568,948	111			97			317			
QP-PRIM	134,609,294	26,342			37,590			33,781			
QP-SUB	349,134,007	68,324			91,408			103,712			
QP-TRAN	20,270,289	3,967			4,714			4,374			
<b>QP-TOTAL</b>			<b>98,744</b>	<b>12.38%</b>		<b>133,809</b>	<b>11.59%</b>		<b>142,184</b>	<b>9.15%</b>	<b>11.37%</b>
CIP-SUB	1,150,904,956	225,226			230,951			230,492			
CIP-TRAN	153,493,591	30,038			24,835			25,773			
<b>CIP-TOTAL</b>			<b>255,264</b>	<b>32.01%</b>		<b>255,786</b>	<b>22.16%</b>		<b>256,265</b>	<b>16.49%</b>	<b>25.75%</b>
MW	4,477,588	876	876	0.11%	739	739	0.06%	1,131	1,131	0.07%	0.09%
OL	38,670,764	7,568	7,568	0.95%	0	0	0.00%	0	0	0.00%	0.49%
SL	7,791,359	1,525	1,525	0.19%	0	0	0.00%	0	0	0.00%	0.10%
<b>TOTAL</b>	<b>4,075,485,655</b>	<b>797,551</b>	<b>797,551</b>	<b>100.00%</b>	<b>1,154,371</b>	<b>1,154,371</b>	<b>100.00%</b>	<b>1,554,435</b>	<b>1,554,435</b>	<b>100.00%</b>	<b>100.00%</b>

Base Period Portion of Peak Demand **51.31%**

Base Period Average Demand 797,551 797,551

Demand in Excess of Base 356,820 756,884

Intermediate Portion of Excess of Base 47.14%

Intermediate Portion of Total Allocation **22.95%**

Peak Portion of Total Allocation **25.74%**

# **REBUTTAL EXHIBIT**

**DHBK – R3**

OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005  
Summary

	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b><u>RATE BASE</u></b>										
GROSS UTILITY PLANT	1,336,938,136	677,402,471	23,446,352	127,998,051	140,887,731	111,334,271	220,990,246	1,244,809	29,683,429	3,950,776
TOTAL DEPRECIATION RESERVE	432,998,450	215,286,436	7,315,019	41,085,330	45,676,801	37,442,898	75,689,378	401,222	8,903,302	1,198,064
NET UTILITY PLANT	903,939,686	462,116,035	16,131,332	86,912,721	95,210,931	73,891,373	145,300,868	843,587	20,780,127	2,752,712
TOTAL CWIP	19,159,718	10,020,253	363,725	1,859,700	1,993,539	1,456,215	2,885,727	18,141	496,887	65,533
PLANT HELD FOR FUTURE USE TRANS	83,282	34,424	840	7,308	9,197	10,089	21,056	71	247	50
TOTAL WORKING CAPITAL	73,842,577	30,262,623	1,004,424	6,691,642	8,183,009	8,503,486	18,220,784	71,236	801,417	103,956
TOTAL RATE BASE OFFSETS	(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,713,942)	(11,437,121)	(19,404,758)	(120,732)	(2,660,796)	(325,583)
TOTAL RATE BASE	858,443,759	428,741,449	15,076,265	81,669,595	90,682,733	72,424,041	147,023,677	812,303	19,417,883	2,596,667
<b><u>OPERATING REVENUES</u></b>										
SALES OF ELECTRICITY	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
OTHER OPERATING REVENUE	8,713,065	5,093,849	244,125	1,095,777	909,590	410,518	665,529	9,214	251,189	33,274
TOTAL OPERATING REVENUE	346,056,753	135,183,814	6,640,836	41,145,616	42,548,853	39,433,895	74,850,184	376,251	5,028,158	849,146
<b><u>OPERATING EXPENSES</u></b>										
ADJUSTED OPERATING AND MAINTENANCE EXP	266,996,120	116,889,593	4,321,153	24,325,483	28,438,304	27,925,640	60,442,094	253,393	3,942,364	458,096
ADJUSTED DEPRECIATION EXPENSE	47,698,792	24,769,872	890,229	4,604,128	4,996,444	3,758,051	7,305,324	44,466	1,178,116	152,162
ADJUSTED TAXES OTHER THAN INCOME TAX	9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
TOTAL STATE INCOME TAXES	(1,348,227)	(2,335,824)	61,116	527,629	181,974	162,018	69,434	2,909	(34,139)	16,657
FEDERAL INCOME TAXES	(3,660,566)	(9,929,503)	287,508	2,556,081	1,067,042	1,112,168	1,316,054	15,350	(157,720)	72,454
TOTAL EXPENSES	318,884,131	134,095,691	5,723,528	32,908,604	35,691,063	33,757,498	70,541,166	324,367	5,119,859	722,355
NET OPERATING INCOME	27,172,622	1,088,123	917,308	8,237,012	6,857,790	5,676,397	4,309,018	51,885	(91,701)	126,790
AFUDC OFFSET	1,234,029	579,061	16,941	114,165	135,360	124,071	246,358	1,095	14,927	2,051
ADJUSTED NET OPERATING INCOME	28,406,651	1,667,185	934,249	8,351,177	6,993,149	5,800,468	4,555,376	52,980	(76,774)	128,841
RATE OF RETURN %	3.31%	0.39%	6.20%	10.23%	7.71%	8.01%	3.10%	6.52%	-0.40%	4.96%
RATE OF RETURN INDEX	100	12	187	309	233	242	94	197	(12)	150

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TQD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b><u>ELECTRIC PLANT IN SERVICE</u></b>												
PRODUCTION PLANT DEMAND	PROD_DEMAND	452,727,608	452,727,608	188,565,735	4,967,015	39,779,959	48,314,890	51,463,334	116,582,013	406,511	2,204,074	444,075
TRANSMISSION PLANT OTHER DEMAND TOTAL	TRANS_TOTAL	380,818,658	380,818,658	157,406,299	3,839,753	33,416,416	42,054,304	46,133,437	96,283,695	325,960	1,130,934	227,860
TRANSMISSION PLANT GSN TOTAL	PROD_DEMAND	1,577,091	1,577,091	656,875	17,303	138,575	168,306	179,274	406,117	1,416	7,678	1,547
TRANSMISSION PLANT			382,395,749	158,063,174	3,857,055	33,554,991	42,222,610	46,312,711	96,689,812	327,376	1,138,612	229,407
<b><u>DISTRIBUTION PLANT</u></b>												
360 LAND AND LAND RIGHTS	DIST_CPD		5,128,881	3,469,035	77,348	661,127	697,141	203,901	0	6,406	11,548	2,375
361 STRUCTURES AND IMPROVEMENTS	DIST_CPD		4,186,156	2,831,401	63,131	539,607	569,001	166,423	0	5,228	9,425	1,938
362 STATION EQUIPMENT	DIST_CPD		41,861,612	28,314,049	631,314	5,396,081	5,690,021	1,664,229	0	52,284	94,252	19,382
364 POLES	DIST_POLES		126,864,495	91,072,686	2,349,912	15,212,031	14,484,250	2,834,481	0	154,454	641,668	115,013
365 OVERHEAD LINES	DIST_OHLINES		102,420,173	72,564,010	1,817,447	12,489,204	12,197,006	2,691,437	0	125,422	453,064	82,584
366 UNDERGROUND CONDUIT	DIST_UGLINES		3,053,885	2,174,074	55,055	370,136	358,221	75,880	0	3,732	14,214	2,574
367 UNDERGROUND LINES	DIST_UGLINES		5,923,247	4,216,785	106,784	717,907	694,797	147,176	0	7,238	27,568	4,992
368 TRANSFORMERS	DIST_TRANSF		84,645,406	65,272,101	1,941,723	9,172,683	7,301,425	0	0	99,632	732,928	124,914
369 SERVICES	DIST_SERV		31,586,289	20,547,459	2,542,225	1,628,486	99,567	0	0	2,987	6,757,741	7,823
370 METERS	DIST_METERS		20,937,281	9,482,984	3,791,663	3,107,766	2,533,860	1,602,733	413,817	4,457	0	0
371 INSTALLATIONS ON CUST PREMISES	DIST_OL		16,201,414	0	0	0	0	0	0	0	16,201,414	0
372 LEASED PROP ON CUST PREMISES	DIST_OL		0	0	0	0	0	0	0	0	0	0
373 STREET LIGHTING	DIST_SL		2,788,123	0	0	0	0	0	0	0	0	2,788,123
DISTRIBUTION PLANT TOTAL			445,596,962	299,944,584	13,376,603	49,295,028	44,625,288	9,386,261	413,817	461,841	24,943,822	3,149,718
PTD PLANT	FORMULA		1,280,720,319	646,573,493	22,200,673	122,629,978	135,162,788	107,162,306	213,685,643	1,195,728	28,286,509	3,823,200
GENERAL PLANT TOTAL	LABOR_M		49,011,035	26,380,860	1,132,858	4,574,389	4,902,929	3,780,163	6,711,963	41,097	1,365,129	121,647
HR-J 765 LINE - AFUDC	BULK_TRANS	1,722,182	1,722,182	717,307	18,895	151,324	183,791	195,767	443,480	1,546	8,384	1,689
<b>ELECTRIC PLANT IN SERVICE</b>			1,331,453,536	673,671,660	23,352,426	127,355,690	140,249,508	111,138,237	220,841,085	1,238,372	29,660,021	3,946,537
<b>ELECTRIC PLANT IN SERVICE - ADJUSTMENT</b>			5,484,600	3,730,811	93,926	642,361	638,223	196,034	149,161	6,437	23,407	4,239
<b>GROSS UTILITY PLANT</b>	FORMULA		1,336,938,136	677,402,471	23,446,352	127,998,051	140,887,731	111,334,271	220,990,246	1,244,809	29,683,429	3,950,776
<b><u>DEPRECIATION RESERVE</u></b>												
PRODUCTION	RB_GUP_EPIS_P	172,837,498	172,837,498	71,988,607	1,896,254	15,186,767	18,445,141	19,647,121	44,507,433	155,194	841,448	169,534
TRANSMISSION	RB_GUP_EPIS_T	114,198,348	114,198,348	47,202,360	1,151,449	10,020,779	12,611,073	13,834,307	28,873,162	97,748	339,140	68,330
DISTRIBUTION	RB_GUP_EPIS_D		130,586,204	87,901,463	3,920,134	14,446,352	13,077,843	2,750,728	121,273	135,347	7,310,012	923,053
GENERAL	RB_GUP_EPIS_G		14,698,381	7,911,605	339,743	1,371,857	1,470,386	1,133,669	2,012,914	12,325	409,401	36,482
HR-J POST IN-SERVICE	BULK_TRANS	678,019	678,019	282,402	7,439	59,576	72,358	77,073	174,597	609	3,301	665
TOTAL DEPRECIATION RESERVE			432,998,450	215,286,436	7,315,019	41,085,330	45,676,801	37,442,898	75,689,378	401,222	8,903,302	1,198,064
<b>NET UTILITY PLANT</b>	FORMULA		903,939,686	462,116,035	16,131,332	86,912,721	95,210,931	73,891,373	145,300,868	843,587	20,780,127	2,752,712

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
PLANT HELD FOR FUTURE USE TRANS	RB_GUP_EPIS_T	83,282	83,282	34,424	840	7,308	9,197	10,089	21,056	71	247	50
<b><u>WORKING CAPITAL</u></b>												
<b><u>WORKING CAPITAL CASH</u></b>												
WORKING CAPITAL CASH EXCL SYS SALES	EXP_OM		29,436,141	12,757,005	449,790	2,666,893	3,208,791	3,222,951	6,662,579	27,277	397,227	43,628
SYSTEM SALES ADD BACK DEMAND	PROD_DEMAND	2,511,767	2,511,767	1,046,177	27,557	220,702	268,055	285,522	646,806	2,255	12,228	2,464
SYSTEM SALES ADD BACK ENERGY	PROD_ENERGY		13,172,434	4,477,089	132,277	1,174,866	1,519,443	1,769,570	3,992,111	13,817	77,599	15,661
TOTAL WORKING CAPITAL CASH			45,120,342	18,280,271	609,625	4,062,462	4,996,289	5,278,044	11,301,496	43,350	487,054	61,753
WORKING CAPITAL CASH - ADJUSTMENT			3,938,374	2,049,197	74,279	393,481	444,464	324,337	590,696	3,721	52,924	5,275
<b><u>WORKING CAPITAL MATERIALS &amp; SUPPLIES</u></b>												
FUEL	PROD_ENERGY		10,524,611	3,577,139	105,688	938,704	1,214,016	1,413,865	3,189,647	11,040	62,000	12,513
PRODUCTION	PROD_DEMAND	5,089,261	5,089,261	2,119,730	55,836	447,180	543,124	578,516	1,310,537	4,570	24,777	4,992
TRANSMISSION AND DISTRIBUTION	TDPLANT		888,306	495,973	18,071	89,353	95,629	61,250	96,918	830	26,872	3,411
TOTAL MATERIALS & SUPPLIES			16,502,178	6,192,841	179,595	1,475,236	1,852,768	2,053,631	4,597,102	16,439	113,649	20,916
WORKING CAPITAL MATERIALS & SUPPLIES - ADJUSTMENT			3,542,537	1,204,049	35,574	315,963	408,632	475,900	1,073,621	3,716	20,869	4,212
WORKING CAPITAL PREPAYMENTS	RB_GUP_EPIS		655,315	338,088	10,956	63,340	72,320	56,592	98,597	587	13,172	1,663
WORKING CAPITAL PREPAYMENTS - ADJUSTMENT			4,083,831	2,198,178	94,395	381,160	408,535	314,981	559,272	3,424	113,749	10,136
<b>TOTAL WORKING CAPITAL</b>	<b>FORMULA</b>		<b>73,842,577</b>	<b>30,262,623</b>	<b>1,004,424</b>	<b>6,691,642</b>	<b>8,183,009</b>	<b>8,503,486</b>	<b>18,220,784</b>	<b>71,236</b>	<b>801,417</b>	<b>103,956</b>
<b><u>CONSTRUCTION WORK IN PROGRESS</u></b>												
PRODUCTION	RB_GUP_EPIS_P	9,503,956	9,503,956	3,958,496	104,271	835,087	1,014,258	1,080,352	2,447,366	8,534	46,269	9,322
TRANSMISSION	RB_GUP_EPIS_T	1,204,283	1,204,283	497,774	12,143	105,675	132,991	145,890	304,483	1,031	3,576	721
DISTRIBUTION	RB_GUP_EPIS_D		7,524,931	5,065,255	225,895	832,460	753,601	158,509	6,988	7,799	421,234	53,190
GENERAL	RB_GUP_EPIS_G		926,548	498,727	21,417	86,478	92,689	71,464	126,889	777	25,808	2,300
TOTAL CWIP			19,159,718	10,020,253	363,725	1,859,700	1,993,539	1,456,215	2,885,727	18,141	496,887	65,533
<b><u>RATE BASE OFFSETS</u></b>												
DEFERRED FIT	RB_GUP		(127,983,435)	(66,028,723)	(2,139,741)	(12,370,386)	(14,124,185)	(11,052,427)	(19,256,024)	(114,619)	(2,572,554)	(324,775)
CUSTOMER ADVANCES	CUST_TOTAL		(56,784)	(31,705)	(1,155)	(5,712)	(5,517)	(146)	(48)	(6,113)	(4,726)	(807)
CUSTOMER DEPOSITS	CUST_DEP		(10,541,285)	(7,631,458)	(283,160)	(1,425,679)	(584,240)	(384,548)	(148,685)	0	(83,516)	0
TOTAL RATE BASE OFFSETS			(138,581,504)	(73,691,885)	(2,424,056)	(13,801,776)	(14,713,942)	(11,437,121)	(19,404,758)	(120,732)	(2,660,796)	(325,583)
<b>TOTAL RATE BASE</b>	<b>FORMULA</b>		<b>858,443,759</b>	<b>428,741,449</b>	<b>15,076,265</b>	<b>81,669,595</b>	<b>90,682,733</b>	<b>72,424,041</b>	<b>147,023,677</b>	<b>812,303</b>	<b>19,417,883</b>	<b>2,596,667</b>

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b><u>OPERATING REVENUES</u></b>											
TOTAL REVENUE	REVSALES	337,148,564	130,195,491	6,280,382	39,974,995	41,493,781	39,120,307	74,184,655	365,580	4,715,283	818,090
TOTAL REVENUE YEAR END CUSTOMERS SALES OF ELECTRICITY	REVYEC	337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
<b><u>OTHER OPERATING REVENUES</u></b>											
FORFEITED DISCOUNTS	FORT	1,476,289	866,530	74,711	290,715	136,208	94,941	0	0	13,184	0
MISCELLANEOUS SERVICE REVENUE	RB_GUP_EPIS_D	250,274	168,467	7,513	27,687	25,064	5,272	232	259	14,010	1,769
RENT FROM ELECTRIC PROP POLES	DIST_POLES	2,602,948	1,868,588	48,214	312,114	297,181	58,157	0	3,169	13,165	2,360
RENT FROM ELECTRIC PROP OTHER DIST	RB_GUP_EPIS_D	435,543	293,177	13,075	48,183	43,618	9,174	404	451	24,381	3,079
OTHER ELECTRIC REVENUE DIST	RB_GUP_EPIS_D	2,189,343	1,473,712	65,723	242,200	219,257	46,117	2,033	2,269	122,556	15,475
OTHER ELECTRIC REVENUE WHEELING	TRANS_TOTAL	172,219	71,184	1,736	15,112	19,018	20,863	43,543	147	511	103
OTHER ELECTRIC REVENUE PRODUCTION	PROD_ENERGY	5,856,518	1,990,532	58,811	522,350	675,550	786,758	1,774,909	6,143	34,501	6,963
TOTAL OTHER OPERATING REVENUES		12,983,134	6,732,190	269,784	1,458,361	1,415,897	1,021,283	1,821,122	12,439	222,309	29,749
OTHER OPERATING REVENUE - ADJUSTMENT		(4,270,069)	(1,638,341)	(25,659)	(362,584)	(506,308)	(610,764)	(1,155,593)	(3,225)	28,880	3,525
<b>TOTAL OPERATING REVENUE</b>		<b>346,056,753</b>	<b>135,183,814</b>	<b>6,640,836</b>	<b>41,145,616</b>	<b>42,548,853</b>	<b>39,433,895</b>	<b>74,850,184</b>	<b>376,251</b>	<b>5,028,158</b>	<b>849,146</b>

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>	
		<u>RETAIL</u>										
<b><u>OPERATION AND MAINTENANCE EXPENSE</u></b>												
<b><u>O&amp;M EXPENSE PRODUCTION</u></b>												
GENERATION EXPENSE DEMAND	PROD_DEMAND	17,732,601	17,732,601	7,385,812	194,550	1,558,116	1,892,415	2,015,735	4,566,327	15,922	86,330	17,394
GENERATION EXPENSE ENERGY	PROD_ENERGY		10,290,416	3,497,540	103,336	917,816	1,187,001	1,382,403	3,118,671	10,794	60,621	12,234
GENERATION EXPENSE FUEL	PROD_ENERGY		110,407,982	37,525,820	1,108,716	9,847,431	12,735,682	14,832,086	33,460,859	115,811	650,412	131,265
SYSTEM SALES	PROD_DEMAND	(20,094,132)	(20,094,132)	(8,369,414)	(220,459)	(1,765,617)	(2,144,437)	(2,284,179)	(5,174,446)	(18,043)	(97,827)	(19,710)
SYSTEM SALES	PROD_ENERGY		(105,379,475)	(35,816,715)	(1,058,220)	(9,398,932)	(12,155,543)	(14,156,562)	(31,936,892)	(110,536)	(620,789)	(125,287)
PURCHASED POWER DEMAND	PROD_DEMAND	70,249,303	70,249,303	29,259,562	770,727	6,172,618	7,496,975	7,985,516	18,089,918	63,078	342,004	68,907
PURCHASED POWER ENERGY	PROD_ENERGY		96,186,225	32,692,083	965,901	8,578,974	11,095,099	12,921,551	29,150,734	100,893	566,632	114,357
SYSTEM CONTROL	PROD_DEMAND	2,769,001	2,769,001	1,153,318	30,380	243,305	295,507	314,763	713,046	2,486	13,481	2,716
TOTAL PRODUCTION EXPENSES			182,161,921	67,328,006	1,894,931	16,153,710	20,402,600	23,011,312	51,988,218	180,405	1,000,863	201,876
O&M EXPENSE TOTAL TRANSMISSION	TRANS_TOTAL	514,789	514,789	212,781	5,191	45,172	56,849	62,363	130,156	441	1,529	308
<b><u>DISTRIBUTION OPERATION EXPENSE</u></b>												
580 SUPERVISION & ENGINEERING	TOTOXEP		890,661	580,059	39,751	100,698	90,030	24,113	2,236	835	46,359	6,570
581 LOAD DISPATCHING	DIST_CPD		339,546	229,660	5,121	43,768	46,153	13,499	0	424	764	157
582 STATION EXPENSES	DIST_CPO		206,824	139,890	3,119	26,660	28,112	8,222	0	258	466	96
583 OVERHEAD LINES	DIST_OHLINES		70,983	50,291	1,260	8,656	8,453	1,865	0	87	314	57
584 UNDERGROUND LINES	DIST_UGLINES		30,930	22,019	558	3,749	3,628	769	0	38	144	26
585 STREET LIGHTING	DIST_SL		11,424	0	0	0	0	0	0	0	0	11,424
586 METERS	DIST_METERS		507,306	229,771	91,871	75,301	61,395	38,834	10,027	108	0	0
587 CUSTOMER INSTALLS	DIST_PCUST		266,495	173,191	21,428	13,826	963	37	0	25	56,960	66
588 MISCELLANEOUS DISTRIBUTION	RB_GUP_EPIS_D		2,692,528	1,812,421	80,828	297,866	269,649	56,717	2,500	2,791	150,724	19,032
589 RENTS	RB_GUP_EPIS_D		1,371,216	923,006	41,163	151,693	137,323	28,884	1,273	1,421	76,759	9,692
TOTAL DISTRIBUTION OPER EXP	FORMULA		6,387,913	4,160,318	285,099	722,217	645,707	172,939	16,037	5,987	332,488	47,121
<b><u>DISTRIBUTION MAINTENANCE EXPENSE</u></b>												
590 SUPERVISION & ENGINEERING	TOTMXEXP		12,353	8,436	227	1,429	1,373	285	1	14	497	91
591 STRUCTURES	DIST_CPD		7,628	5,159	115	983	1,037	303	0	10	17	4
592 STATION EQUIPMENT	DIST_CPD		670,333	453,395	10,109	86,408	91,115	26,649	0	837	1,509	310
593 OVERHEAD LINES	TOTOHLINES		11,147,628	7,955,879	202,613	1,346,811	1,297,220	268,665	0	13,607	53,225	9,607
594 UNDERGROUND LINES	TOTUGLINES		103,865	73,942	1,872	12,589	12,183	2,581	0	127	483	88
595 LINE TRANSFORMER	DIST_TRANSF		604,245	465,948	13,861	65,480	52,122	0	0	711	5,232	892
596 STREET LIGHTING	DIST_SL		86,472	0	0	0	0	0	0	0	0	86,472
597 METERS	DIST_METERS		70,662	32,004	12,797	10,489	8,552	5,409	1,397	15	0	0
598 MISC DISTRIBUTION PLANT	DIST_OL		468,604	0	0	0	0	0	0	0	468,604	0
TOTAL DISTRIBUTION MAINT EXP	FORMULA		13,171,790	8,994,763	241,595	1,524,188	1,463,601	303,893	1,398	15,322	529,568	97,464
<b><u>CUSTOMER ACCOUNTS</u></b>												
901 SUPERVISION	TOTOX234		481,953	376,118	36,613	27,759	2,557	294	48	43	38,446	74
902 METER READ	CUST_902		2,067,779	1,641,348	203,075	197,218	22,525	2,897	477	239	0	0
903 CUSTOMER RECORDS	CUST_903		5,721,488	4,434,767	388,750	251,308	18,770	1,849	304	457	624,086	1,196
904 UNCOLLECTIBLES	CUST_TOTAL		(20,325)	(13,200)	(1,633)	(1,056)	(79)	(8)	(1)	(2)	(4,341)	(5)
905 MISCELLANEOUS	TOTOX234		15,976	12,468	1,214	920	85	10	2	1	1,274	2
TOTAL CUSTOMER ACCOUNTS			8,266,871	6,451,500	628,019	476,150	43,859	5,042	830	738	659,466	1,267
TOTAL CUSTOMER SERVICES	CUST_TOTAL		1,368,356	888,672	109,951	71,078	5,309	523	86	129	292,270	338

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>		<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>ADMINISTRATIVE &amp; GENERAL EXPENSE</u>												
A&G PRODUCTION DEMAND	PROD_DEMAND	9,052,131	9,052,131	3,770,306	99,314	795,386	966,039	1,028,991	2,331,017	8,128	44,070	8,879
A&G PRODUCTION ENERGY	PROD_ENERGY		2,655,730	902,638	26,669	236,868	306,339	356,768	804,860	2,786	15,645	3,157
A&G TRANSMISSION	EXP_OM_TRAN	1,702,768	1,702,768	703,816	17,169	149,416	188,039	206,278	430,517	1,457	5,057	1,019
A&G DISTRIBUTION	EXP_OM_DIST		7,289,823	4,902,846	196,297	837,226	786,131	177,714	6,498	7,942	321,285	53,886
A&G CUSTOMER ACCOUNTS	EXP_OM_CUSTACCT		2,244,006	1,751,232	170,473	129,249	11,905	1,369	225	200	179,009	344
A&G CUSTOMER SERVICE	EXP_OM_CUSTSERV		642,816	417,474	51,652	33,390	2,494	246	40	61	137,301	159
A&G REGULATORY RECLASSIFIED	FORMULA		30,211	11,666	563	3,582	3,718	3,505	6,647	33	423	73
TOTAL A & G EXPENSES			23,617,485	12,459,978	562,135	2,185,118	2,264,665	1,774,871	3,579,805	20,607	702,788	67,518
<b>TOTAL O&amp;M EXPENSES</b>			<b>235,489,125</b>	<b>100,496,018</b>	<b>3,726,920</b>	<b>21,177,632</b>	<b>24,882,589</b>	<b>25,330,943</b>	<b>55,716,529</b>	<b>223,629</b>	<b>3,518,972</b>	<b>415,892</b>
OPERATION & MAINTENANCE EXPENSE - ADJUSTMENT			31,506,995	16,393,575	594,233	3,147,850	3,555,715	2,594,697	4,725,565	29,764	423,392	42,204
ADJUSTED OPERATING AND MAINTENANCE EXP	FORMULA		266,996,120	116,889,593	4,321,153	24,325,483	28,438,304	27,925,640	60,442,094	253,393	3,942,364	458,096
<u>DEPRECIATION EXPENSE</u>												
PRODUCTION	RB_GUP_EPIS_P	17,327,512	17,327,512	7,217,088	190,105	1,522,522	1,849,184	1,969,687	4,462,012	15,559	84,358	16,996
TRANSMISSION	RB_GUP_EPIS_T	6,690,652	6,690,652	2,765,492	67,461	587,097	738,857	810,524	1,691,621	5,727	19,870	4,003
DISTRIBUTION	RB_GUP_EPIS_D		15,738,192	10,593,846	472,453	1,741,068	1,576,136	331,517	14,616	16,312	880,999	111,246
GENERAL PLANT	RB_GUP_EPIS_G		4,287,524	2,307,818	99,103	400,171	428,912	330,692	587,168	3,595	119,423	10,642
TOTAL DEPRECIATION EXPENSE			44,043,880	22,884,244	829,123	4,250,858	4,593,090	3,442,419	6,755,417	41,193	1,104,649	142,887
DEPRECIATION EXPENSE - ADJUSTMENT			3,654,912	1,885,628	61,106	353,270	403,354	315,632	549,908	3,273	73,466	9,275
ADJUSTED DEPRECIATION EXPENSE	FORMULA		47,698,792	24,769,872	890,229	4,604,128	4,996,444	3,758,051	7,305,324	44,466	1,178,116	152,162
<u>TAXES OTHER THAN INCOME</u>												
FEDERAL INSURANCE TAX	LABOR_M		2,152,118	1,158,407	49,745	200,865	215,292	165,990	294,728	1,805	59,944	5,342
FEDERAL UNEMPLOYMENT TAX	LABOR_M		25,730	13,850	595	2,401	2,574	1,985	3,524	22	717	64
KENTUCKY SALES & USE TAX	TDPLANT		212	118	4	21	23	15	23	0	6	1
KENTUCKY R/E PRS & FRANCHISE TAX	RB_GUP		6,984,383	3,603,356	116,771	675,084	770,793	603,159	1,050,850	6,255	140,391	17,724
LOUISIANA REAL & PERSONAL PROPERTY TAX	RB_GUP		584	301	10	56	64	50	88	1	12	1
KENTUCKY UNEMPLOYMENT TAX	LABOR_M		17,259	9,290	399	1,611	1,727	1,331	2,364	14	481	43
KENTUCKY PSC MAINTENANCE TAX RECLASSIFIED	FORMULA		504,415	194,788	9,396	59,807	62,080	58,529	110,989	547	7,055	1,224
KENTUCKY LICENSE TAX	RB_GUP		99	51	2	10	11	9	15	0	2	0
OHIO FRANCHISE TAX	PROD_DEMAND	89,805	89,805	39,133	843	8,065	10,457	10,710	20,449	75	59	14
WEST VIRGINIA REAL & PERSONAL PROPERTY TAX	RB_GUP		3,271	1,688	55	316	361	282	492	3	66	8
WEST VIRGINIA UNEMPLOYMENT TAX	LABOR_M		2,973	1,600	69	277	297	229	407	2	83	7
WEST VIRGINIA FRANCHISE TAX	LABOR_M		23,533	12,667	544	2,196	2,354	1,815	3,223	20	655	58
WEST VIRGINIA LICENSE TAX	LABOR_M		275	148	6	26	28	21	38	0	8	1
WYOMING LICENSE TAX	PROD_DEMAND	49	49	21	0	4	6	6	11	0	0	0
FRINGE BENEFIT LOADING FICA	LABOR_M		(805,537)	(433,591)	(18,619)	(75,184)	(80,584)	(62,130)	(110,317)	(675)	(22,437)	(1,999)
FRINGE BENEFIT LOADING FUT	LABOR_M		(12,251)	(6,594)	(283)	(1,143)	(283)	(1,226)	(945)	(10)	(341)	(30)
FRINGE BENEFIT LOADING SUT	LABOR_M		(5,307)	(2,857)	(123)	(495)	(531)	(409)	(727)	(4)	(148)	(13)
R/E PRS FRANCHISE - CARRS TAX	RB_GUP		(44,296)	(22,853)	(741)	(4,281)	(4,888)	(3,825)	(6,665)	(40)	(890)	(112)
TOTAL TAXES OTHER THAN INCOME			8,937,315	4,569,523	158,673	869,638	978,837	776,822	1,367,815	8,014	185,662	22,332
TAXES OTHER THAN INCOME TAXES - ADJUSTMENT			260,696	132,029	4,850	25,645	28,462	22,799	40,444	235	5,577	654
ADJUSTED TAXES OTHER THAN INCOME TAX	FORMULA		9,198,011	4,701,552	163,522	895,283	1,007,299	799,621	1,408,259	8,249	191,239	22,986
<b>TOTAL OPERATING REVENUE</b>			<b>346,056,753</b>	<b>135,183,814</b>	<b>6,640,836</b>	<b>41,145,616</b>	<b>42,548,853</b>	<b>39,433,895</b>	<b>74,850,184</b>	<b>376,251</b>	<b>5,028,158</b>	<b>849,146</b>
<b>TOTAL OPERATING EXPENSE BEFORE TAXES</b>			<b>323,892,923</b>	<b>146,361,018</b>	<b>5,374,904</b>	<b>29,824,894</b>	<b>34,442,047</b>	<b>32,483,312</b>	<b>69,155,677</b>	<b>306,108</b>	<b>5,311,718</b>	<b>633,245</b>
<b>GROSS OPERATING INCOME</b>	FORMULA		<b>22,163,830</b>	<b>(11,177,204)</b>	<b>1,265,932</b>	<b>11,320,722</b>	<b>8,106,805</b>	<b>6,950,584</b>	<b>5,694,507</b>	<b>70,144</b>	<b>(283,560)</b>	<b>215,901</b>
INTEREST CHARGE TAX	RATEBASE		(28,829,564)	(14,697,748)	(481,640)	(2,772,955)	(3,196,541)	(2,519,048)	(4,474,019)	(26,445)	(586,772)	(74,397)
INTEREST SYNCRONIZATION TAX	RATEBASE		1,221,632	622,806	20,409	117,502	135,451	106,743	189,583	1,121	24,864	3,153
<b>NET OPER INCOME BEFORE INCOME TAX</b>	FORMULA		<b>(5,444,102)</b>	<b>(25,252,145)</b>	<b>804,701</b>	<b>8,665,269</b>	<b>5,045,715</b>	<b>4,538,278</b>	<b>1,410,071</b>	<b>44,819</b>	<b>(845,468)</b>	<b>144,657</b>

OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005

METHOD	TOTAL RETAIL	RS	SGS	MGS	LGS	QP	CIP-TOD	MW	OL	SL	
<b>INCOME TAXES</b>											
<b>SCHEDULE M INCOME ADJUSTMENTS</b>											
BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	(6,012,634)	(3,102,015)	(100,525)	(581,158)	(663,551)	(519,241)	(904,644)	(5,385)	(120,858)	(15,258)
BOOK VS TAX DEPRECIATION FLOWTHRU	RB_GUP	7,015,140	3,619,224	117,285	678,056	774,187	605,815	1,055,478	6,283	141,009	17,802
ABFUDC	RB_CWIP	(268,834)	(143,362)	(4,876)	(26,373)	(29,368)	(21,234)	(36,208)	(245)	(6,367)	(801)
INTEREST CAPITALIZATION	RB_GUP	465,437	240,126	7,782	44,987	51,365	40,194	70,028	417	9,356	1,181
CUSTOMER ADVANCES	CUST_TOTAL	1,030	669	83	54	4	0	0	0	220	0
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	82,724	32,309	1,574	9,802	10,167	9,456	17,947	90	1,180	200
PERCENT REPAIR ALLOWANCE	RB_GUP	(297,000)	(153,227)	(4,966)	(28,707)	(32,777)	(25,648)	(44,686)	(266)	(5,970)	(754)
REMOVAL COSTS	RB_GUP	(5,261,850)	(2,714,673)	(87,972)	(508,590)	(580,695)	(454,404)	(791,683)	(4,712)	(105,767)	(13,353)
DEFERRED FUEL	FUELREV	(4,802,865)	(1,601,008)	(47,334)	(421,008)	(549,101)	(656,918)	(1,489,048)	(4,948)	(27,877)	(5,623)
TAX AMORTIZATION OF POLLUTION CONTROL	PROD_DEMAND	(11,879,328)	(4,947,863)	(130,332)	(1,043,805)	(1,267,757)	(1,350,370)	(3,059,049)	(10,667)	(57,834)	(11,652)
CAPITALIZED RELOCATION COSTS	RB_GUP	(187,110)	(96,533)	(3,128)	(18,085)	(20,649)	(16,158)	(28,152)	(168)	(3,761)	(475)
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	(5,193,129)	(1,765,057)	(52,149)	(463,182)	(599,028)	(697,639)	(1,573,859)	(5,447)	(30,593)	(6,174)
PROVISION FOR WORKERS COMP	LABOR_M	(203,472)	(109,522)	(4,703)	(18,991)	(20,355)	(15,694)	(27,865)	(171)	(5,667)	(505)
ACCRUED BOOK PENSION EXPENSE	LABOR_M	673,275	362,399	15,562	62,839	67,353	51,929	92,204	565	18,753	1,671
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	20,125	10,833	465	1,878	2,013	1,552	2,756	17	561	50
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	73,185	39,393	1,692	6,831	7,321	5,645	10,023	61	2,038	182
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	(586,005)	(380,578)	(47,087)	(30,439)	(2,274)	(224)	(37)	(55)	(125,166)	(145)
REG ASSET ON UNREALIZED LOSS FWD CMNT	PROD_ENERGY	173,273	58,893	1,740	15,454	19,987	23,277	52,513	182	1,021	206
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	57,444	19,524	577	5,124	6,626	7,717	17,409	60	338	68
AOFUDC - HR/J	BULK_TRANS	11,205	4,883	105	1,006	1,305	1,336	2,551	9	7	2
POST RETIREMENT BENEFIT PAYMENT	RB_GUP	(111,083)	(57,310)	(1,857)	(10,737)	(12,259)	(9,593)	(16,713)	(99)	(2,233)	(282)
ADVANCE RENTAL INCOME	REV_OTHER	(24,844)	(12,886)	(516)	(2,791)	(2,711)	(1,955)	(3,479)	(24)	(425)	(57)
BOOK AMORTIZATION LOSS REQUIRED DEBT	RB_GUP	80,394	41,477	1,344	7,771	8,872	6,943	12,096	72	1,616	204
NONDEDUCTIBLE MEALS & TRAVEL EXPENSE	LABOR_M	34,482	18,560	797	3,218	3,449	2,660	4,722	29	960	86
VACATION PAY SEC 481	LABOR_M	134,841	72,580	3,117	12,585	13,489	10,400	18,466	113	3,756	335
SEC 481 3-YR ADJ PROPERTY TAX	RB_GUP	206	106	3	20	23	18	31	0	4	1
DEFERRED COMPENSATION PAYMENTS	LABOR_M	(24,856)	(13,379)	(575)	(2,320)	(2,487)	(1,917)	(3,404)	(21)	(692)	(62)
ACCRUED STATE INCOME TAX EXPENSE	REV	95,635	37,351	1,820	11,331	11,754	10,932	20,748	104	1,365	231
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	(147,206)	(62,580)	(1,342)	(13,092)	(17,129)	(18,331)	(34,538)	(120)	(59)	(14)
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	(75,416)	(32,061)	(688)	(6,707)	(8,775)	(9,391)	(17,694)	(61)	(30)	(7)
DEFERRED BOOK CONTRACT REVENUE	REV	(10,923)	(4,266)	(208)	(1,294)	(1,342)	(1,249)	(2,370)	(12)	(156)	(26)
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	2,758,889	1,485,010	63,770	257,498	276,992	212,790	377,824	2,313	76,845	6,848
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	1,828,429	621,452	18,361	163,080	210,910	245,629	554,134	1,918	10,771	2,174
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	(93,324)	(31,719)	(937)	(8,324)	(10,765)	(12,537)	(28,283)	(98)	(550)	(111)
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	(374,055)	(127,135)	(3,756)	(33,362)	(43,147)	(50,250)	(113,363)	(392)	(2,204)	(445)
REG ASSET UNREALIZED MTM GAIN DEFERRAL	PROD_ENERGY	3,306,097	1,123,687	33,200	294,875	381,359	444,137	1,001,964	3,468	19,476	3,931
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	219,950	93,505	2,005	19,562	25,593	27,390	51,606	179	89	21
CAPITALIZED SOFTWARE COSTS TAX	RB_GUP	(10,781)	(5,562)	(180)	(1,042)	(1,190)	(931)	(1,622)	(10)	(217)	(27)
CAPITALIZED SOFTWARE COSTS BOOK	RB_GUP	1,123,198	579,476	18,779	108,564	123,956	96,997	168,993	1,006	22,577	2,850
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	(504,384)	(260,220)	(8,433)	(48,752)	(55,664)	(43,558)	(75,888)	(452)	(10,138)	(1,280)
ACCRUED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	(248,345)	(133,675)	(5,740)	(23,179)	(24,844)	(19,155)	(34,010)	(208)	(6,917)	(616)
BOOK DEFERRAL MERGER COSTS	REV	529,635	206,855	10,078	62,754	65,094	60,542	114,903	574	7,557	1,278
SFAS 109 DEFERRED SIT LIABILITY	REV	(7,167,903)	(2,799,507)	(136,397)	(849,288)	(880,956)	(819,350)	(1,555,061)	(7,764)	(102,279)	(17,300)
REG ASSET SFAS 109 DEFERRED SIT LIABILITY	REV	7,167,903	2,799,507	136,397	849,288	880,956	819,350	1,555,061	7,764	102,279	17,300
REG ASSET ACCRUED SFAS 112	LABOR_M	204,015	109,814	4,716	19,042	20,409	15,735	27,939	171	5,683	506
1977 - 1980 IRS AUDIT SETTLEMENT	REV	(17,736)	(6,927)	(337)	(2,101)	(2,180)	(2,027)	(3,848)	(19)	(253)	(43)
1985 - 1987 IRS AUDIT SETTLEMENT	REV	(824)	(322)	(16)	(98)	(101)	(94)	(179)	(1)	(12)	(2)
IRS AUDIT SETTLEMENTS PERM	REV	6,789	2,652	129	804	834	776	1,473	7	97	16
MANUFACTURING DEDUCTION	PROD_DEMAND	(627,096)	(261,192)	(6,880)	(55,101)	(66,923)	(71,284)	(161,484)	(563)	(3,053)	(615)
TOTAL SCHEDULE M ADJUSTMENTS		(18,067,702)	(7,242,295)	(209,552)	(1,562,104)	(1,933,010)	(2,117,933)	(4,776,297)	(16,506)	(191,520)	(18,485)
SCHEDULE M - ADJUSTMENT		4,834,630	2,278,880	72,733	456,681	538,229	476,989	915,659	4,489	80,314	10,656

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
BONUS DEPRECIATION ADJUSTMENT FOR STATE	RB_GUP	(55,930)	(28,855)	(935)	(5,406)	(6,172)	(4,830)	(8,415)	(50)	(1,124)	(142)
STATE TAXABLE INCOME	FORMULA	(18,733,104)	(30,244,415)	666,946	7,554,440	3,644,762	2,892,504	(2,458,981)	32,751	(957,798)	136,686
STATE INCOME TAX KENTUCKY	FORMULA	(1,311,317)	(2,271,878)	59,442	513,185	176,992	157,583	67,533	2,829	(33,205)	16,201
STATE INCOME TAX OHIO	FORMULA	(28,997)	(50,238)	1,314	11,348	3,914	3,485	1,493	63	(734)	358
STATE INCOME TAX WEST VIRGINIA	FORMULA	(7,912)	(13,708)	359	3,096	1,068	951	407	17	(200)	98
TOTAL STATE INCOME TAXES		(1,348,227)	(2,335,824)	61,116	527,629	181,974	162,018	69,434	2,909	(34,139)	16,657
TAXABLE OPERATING INCOME	FORMULA	(17,328,947)	(27,879,735)	606,766	7,032,217	3,468,960	2,735,316	(2,520,001)	29,892	(922,535)	120,171
GROSS CURRENT FIT	FORMULA	(6,065,132)	(10,531,752)	276,149	2,383,145	823,430	732,897	316,311	13,146	(153,682)	75,224
FEEDBACK PRIOR ITC NORMALIZATION TAX	RB_GUP	(1,156,997)	(596,913)	(19,344)	(111,831)	(127,686)	(99,916)	(174,078)	(1,036)	(23,256)	(2,936)
CURRENT FIT AND ITC	FORMULA	(7,222,129)	(11,128,666)	256,805	2,271,314	695,745	632,981	142,232	12,110	(176,938)	72,288
<u>DEFERRED FIT - CURRENT YEAR</u>											
DIFIT FOR BOOK VS TAX DEPRECIATION NORMALIZED	RB_GUP	1,793,574	925,334	29,987	173,360	197,938	154,890	269,856	1,606	36,052	4,551
ABFUDC	RB_CWIP	101,807	54,291	1,846	9,987	11,122	8,041	13,712	93	2,411	303
WSEC 482 PENSION/OPEB ADJUSTMENT	LABOR_M	(72)	(39)	(2)	(7)	(7)	(6)	(10)	(0)	(2)	(0)
INTEREST CAPITALIZATION	RB_GUP	(162,904)	(84,045)	(2,724)	(15,746)	(17,978)	(14,068)	(24,510)	(146)	(3,274)	(413)
CUSTOMER ADVANCES	CUST_TOTAL	(362)	(235)	(29)	(19)	(1)	(0)	(0)	(0)	(77)	(0)
PERCENT REPAIR ALLOWANCE	RB_GUP	103,950	53,629	1,738	10,047	11,472	8,977	15,640	93	2,089	264
TAX AMORTIZATION POLLUTION CONTROL	PROD_DEMAND	4,157,765	1,731,752	45,616	365,332	443,715	472,630	1,070,667	3,733	20,242	4,078
CAPITALIZED RELOCATION COSTS	RB_GUP	65,489	33,787	1,095	6,330	7,227	5,656	9,853	59	1,316	166
MTM BOOK GAIN ABOVE THE LINE TAX DEFERRAL	PROD_ENERGY	1,817,595	617,770	18,252	162,114	209,660	244,174	550,850	1,907	10,707	2,161
PROVISION FOR WORKERS COMP	LABOR_M	71,215	38,332	1,646	6,647	7,124	5,493	9,753	60	1,984	177
ACCRUED BOOK PENSION EXPENSE	LABOR_M	(235,644)	(126,839)	(5,447)	(21,994)	(23,573)	(18,175)	(32,271)	(198)	(6,564)	(585)
SUPPLEMENTAL EXECUTIVE RETIREMENT	LABOR_M	(7,044)	(3,792)	(163)	(657)	(705)	(543)	(965)	(6)	(196)	(17)
ACCRUED BOOK SUPPLEMENTAL SAVINGS PLAN EXP	LABOR_M	(25,615)	(13,788)	(592)	(2,391)	(2,562)	(1,976)	(3,508)	(21)	(713)	(64)
POST RETIREMENT BENEFIT	RB_GUP	(253,642)	(130,858)	(4,241)	(24,516)	(27,992)	(21,904)	(38,162)	(227)	(5,098)	(644)
DEFERRED FUEL EXPENSE	FUELREV	1,681,005	560,353	16,567	147,353	192,186	229,922	521,167	1,732	9,757	1,968
PROVISION FOR POSSIBLE REVENUE REFUNDS	REV	(28,953)	(11,308)	(551)	(3,430)	(3,558)	(3,310)	(6,281)	(31)	(413)	(70)
BOOK PROVISION UNCOLLECTIBLE ACCOUNTS	CUST_TOTAL	205,103	133,203	16,480	10,654	796	78	13	19	43,808	51
REG ASSET UNREALIZED LOSS FWD CMMT	PROD_ENERGY	(60,645)	(20,612)	(609)	(5,409)	(6,995)	(8,147)	(18,379)	(64)	(357)	(72)
PROVISION FOR TRADING CREDIT RISK ABOVE THE LINE	PROD_ENERGY	(20,105)	(6,833)	(202)	(1,793)	(2,319)	(2,701)	(6,093)	(21)	(118)	(24)
DEFERRED COMPENSATION BOOK EXPENSE	LABOR_M	8,700	4,683	201	812	870	671	1,191	7	242	22
ACCRUED STATE INCOME TAX EXPENSE	REV	(33,472)	(13,073)	(637)	(3,966)	(4,114)	(3,826)	(7,262)	(36)	(478)	(81)
ACCRUED RTO CARRYING CHARGES	RB_GUP_EPIS_T	51,522	21,903	470	4,582	5,995	6,416	12,088	42	21	5
REG ASSET ON DEFERRED RTO COSTS	RB_GUP_EPIS_T	26,395	11,221	241	2,348	3,071	3,287	6,193	22	11	3
DEFERRED BOOK CONTRACT REVENUE	REV	3,823	1,493	73	453	470	437	829	4	55	9
DEFERRED DEMAND SIDE MANAGEMENT EXPENSE	LABOR_M	(965,612)	(519,754)	(22,319)	(90,124)	(96,597)	(74,477)	(132,239)	(810)	(26,896)	(2,397)
BOOK > TAX BASIS - EMA A/C 283	PROD_ENERGY	(639,950)	(217,508)	(6,426)	(67,078)	(73,818)	(85,970)	(193,947)	(671)	(3,770)	(761)
DEFERRED TAX GAIN INTERCO SALE EMA	PROD_ENERGY	32,664	11,102	328	2,913	3,768	4,388	9,899	34	192	39
DEFERRED TAX GAIN EPA AUCTION	PROD_ENERGY	130,920	44,498	1,315	11,677	15,102	17,588	39,677	137	771	156
REG ASSET UNREAL MTM GAIN DEFERRAL	PROD_ENERGY	(1,157,133)	(393,290)	(11,620)	(103,206)	(133,476)	(155,448)	(350,687)	(1,214)	(6,817)	(1,376)
REG ASSET DEFERRED EQUITY CARRYING	RB_GUP_EPIS_T	(76,982)	(32,727)	(702)	(6,847)	(8,958)	(9,586)	(18,062)	(63)	(31)	(7)
CAPITALIZED SOFTWARE COST TAX	RB_GUP	3,773	1,947	63	365	416	326	568	3	76	10
CAPITALIZED SOFTWARE COST BOOK	RB_GUP	(393,117)	(202,815)	(6,572)	(37,997)	(43,384)	(33,949)	(59,147)	(352)	(7,902)	(998)
BOOK LEASES CAPITALIZED FOR TAX	RB_GUP	176,535	91,077	2,951	17,063	19,482	15,245	26,561	158	3,548	448
ADVANCE RENTAL INCOME	REV_OTHER	8,696	4,511	181	977	949	684	1,218	8	149	20
BOOK AMORTIZATION LOSS REAQUIRED DEBT	RB_GUP	(28,139)	(14,517)	(470)	(2,720)	(3,105)	(2,430)	(4,234)	(25)	(566)	(71)
ACCURED SFAS 112 POST EMPLOYMENT BENEFITS	LABOR_M	86,923	46,787	2,009	8,113	8,696	6,704	11,904	73	2,421	216
BOOK DEFERRAL MERGER COSTS	REV	(185,372)	(72,399)	(3,527)	(21,964)	(22,783)	(21,190)	(40,216)	(201)	(2,645)	(447)
REG ASSET ACCRUED SFAS 112	LABOR_M	(71,407)	(38,436)	(1,651)	(6,665)	(7,143)	(5,508)	(9,779)	(60)	(1,989)	(177)
1977 - 1980 IRS AUDIT SETTLEMENT	REV	6,208	2,425	118	736	763	710	1,347	7	89	15
1985 - 1987 IRS AUDIT SETTLEMENT	REV	288	112	5	34	35	33	62	0	4	1
DEFERRED VACATION ACCRUAL	LABOR_M	(47,195)	(25,403)	(1,091)	(4,405)	(4,721)	(3,640)	(6,463)	(40)	(1,315)	(117)
FEDERAL INCOME TAX - DEFERRED - ADJUSTMENT		(1,338,731)	(613,883)	(19,433)	(125,564)	(149,471)	(137,025)	(268,589)	(1,253)	(20,716)	(2,797)
TOTAL CURRENT YEAR DFIT		4,801,854	1,848,057	52,174	405,399	507,695	582,471	1,352,247	4,359	46,009	3,543

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<u>DEFERRED FIT - PRIOR YEAR</u>											
TAXES CAPITALIZED	RB_GUP	(63,617)	(32,821)	(1,064)	(6,149)	(7,021)	(5,494)	(9,572)	(57)	(1,279)	(161)
PENSIONS CAPITALIZED	RB_GUP	(8,538)	(4,405)	(143)	(825)	(942)	(737)	(1,285)	(8)	(172)	(22)
SAVING PLAN CAPITALIZED	RB_GUP	(4,055)	(2,092)	(68)	(392)	(448)	(350)	(610)	(4)	(82)	(10)
ABFUDC	RB_CWIP	(519,030)	(276,784)	(9,413)	(50,918)	(56,700)	(40,996)	(69,906)	(473)	(12,293)	(1,546)
INTEREST CAPITALIZED	RB_GUP	249,355	128,646	4,169	24,102	27,519	21,534	37,517	223	5,012	633
ADR REPAIR ALLOWANCE	RB_GUP	(387,726)	(200,034)	(6,482)	(37,476)	(42,789)	(33,483)	(58,336)	(347)	(7,794)	(984)
BOOK VS TAX DEPRECIATION	RB_GUP	(506,680)	(261,404)	(8,471)	(48,974)	(55,917)	(43,756)	(76,234)	(454)	(10,185)	(1,286)
<b>TOTAL PRIOR YEAR DFIT</b>		<b>(1,240,291)</b>	<b>(648,894)</b>	<b>(21,472)</b>	<b>(120,632)</b>	<b>(136,298)</b>	<b>(103,283)</b>	<b>(178,425)</b>	<b>(1,119)</b>	<b>(26,791)</b>	<b>(3,377)</b>
FEDERAL INCOME TAXES	FORMULA	(3,660,566)	(9,929,503)	287,508	2,556,081	1,067,042	1,112,168	1,316,054	15,350	(157,720)	72,454
<b>TOTAL INCOME TAXES</b>		<b>(5,008,792)</b>	<b>(12,265,327)</b>	<b>348,623</b>	<b>3,083,710</b>	<b>1,249,016</b>	<b>1,274,186</b>	<b>1,385,488</b>	<b>18,259</b>	<b>(191,859)</b>	<b>89,111</b>
<b>TOTAL EXPENSES</b>	FORMULA	<b>318,884,131</b>	<b>134,095,691</b>	<b>5,723,528</b>	<b>32,908,604</b>	<b>35,691,063</b>	<b>33,757,498</b>	<b>70,541,166</b>	<b>324,367</b>	<b>5,119,859</b>	<b>722,355</b>
<b>NET OPERATING INCOME</b>	FORMULA	<b>27,172,622</b>	<b>1,088,123</b>	<b>917,308</b>	<b>8,237,012</b>	<b>6,857,790</b>	<b>5,676,397</b>	<b>4,309,018</b>	<b>51,885</b>	<b>(91,701)</b>	<b>126,790</b>
<u>AFUDC OFFSET</u>											
PRODUCTION	PROD_DEMAND	400,313	400,313	166,735	4,392	35,174	42,721	45,505	103,085	359	1,949
TRANSMISSION	TRANS_TOTAL	90,711	90,711	37,494	915	7,960	10,017	10,989	78	269	54
DISTRIBUTION	RB_GUP_EPIS_D	101,043	68,015	3,033	11,178	10,119	2,128	94	105	5,656	714
GENERAL	LABOR_M	16,455	8,857	380	1,536	1,646	1,269	2,253	14	458	41
<b>AFUDC OFFSET</b>		<b>608,522</b>	<b>281,101</b>	<b>8,720</b>	<b>55,848</b>	<b>64,504</b>	<b>59,892</b>	<b>128,367</b>	<b>556</b>	<b>8,333</b>	<b>1,202</b>
<b>AFUDC OFFSET ADJUSTMENT - ADJUSTMENT</b>		<b>625,507</b>	<b>297,961</b>	<b>8,221</b>	<b>58,317</b>	<b>70,856</b>	<b>64,179</b>	<b>117,991</b>	<b>540</b>	<b>6,594</b>	<b>849</b>
<b>ADJUSTED NET OPERATING INCOME</b>	FORMULA	<b>28,406,651</b>	<b>1,667,185</b>	<b>934,249</b>	<b>8,351,177</b>	<b>6,993,149</b>	<b>5,800,468</b>	<b>4,555,376</b>	<b>52,980</b>	<b>-76,774</b>	<b>128,841</b>

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>CATEGORY</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
<b>REVENUE REQUIREMENT ANALYSIS</b>												
TOTAL RATE BASE			858,443,759	428,741,449	15,076,265	81,669,695	90,682,733	72,424,041	147,023,677	812,303	19,417,883	2,596,667
ADJUSTED NET OPERATING INCOME	FORMULA		28,406,651	1,667,185	934,249	8,351,177	6,993,149	5,800,468	4,555,376	52,980	-76,774	128,841
CURRENT RATE OF RETURN			3.31%	0.39%	6.20%	10.23%	7.71%	8.01%	3.10%	6.52%	-0.40%	4.96%
TOTAL EXPENSES	FORMULA		318,884,131	134,095,691	5,723,528	32,908,604	35,691,063	33,757,498	70,541,166	324,367	5,119,859	722,355
TOTAL OPERATING REVENUE	FORMULA		346,056,753	135,183,814	6,640,836	41,145,616	42,548,853	39,433,895	74,850,184	376,251	5,028,158	849,146
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,093,849	244,125	1,095,777	909,590	410,518	665,529	9,214	251,189	33,274
SALES OF ELECTRICITY	FORMULA		337,343,688	130,089,965	6,396,711	40,049,839	41,639,263	39,023,377	74,184,655	367,037	4,776,969	815,872
PROPOSED RATE OF RETURN			7.84%	5.36%	10.09%	14.14%	12.16%	12.33%	6.98%	10.50%	3.79%	8.28%
REQUIRED INCOME	FORMULA		67,308,241	22,985,454	1,521,364	11,551,626	11,025,172	8,926,960	10,261,624	85,264	735,850	214,927
INCOME INCREASE	FORMULA		38,901,590	21,318,269	587,115	3,200,449	4,032,023	3,126,492	5,706,248	32,284	812,624	86,086
GROSS REVENUE CONVERSION FACTOR			1.665645									
PROPOSED REVENUE INCREASE			64,796,239	35,508,669	977,925	5,330,812	6,715,919	5,207,626	9,504,584	53,773	1,353,543	143,388
% REVENUE INCREASE			19.21%	27.30%	15.29%	13.31%	16.13%	13.34%	12.81%	14.65%	28.33%	17.57%
TOTAL REVENUE REQUIRED	FORMULA		410,852,992	170,692,483	7,618,761	46,476,428	49,264,772	44,641,521	84,354,768	430,024	6,381,701	992,534
LESS:												
OTHER OPERATING REVENUE	FORMULA		8,713,065	5,093,849	244,125	1,095,777	909,590	410,518	665,529	9,214	251,189	33,274
REQUIRED RATE REVENUE	FORMULA		402,139,927	165,598,634	7,374,636	45,380,651	48,355,182	44,231,003	83,689,239	420,810	6,130,512	959,260

**OFFICE OF THE ATTORNEY GENERAL  
B-I-P - KPCo CLASS COST OF SERVICE STUDY  
TWELVE MONTHS ENDED JUNE 30, 2005**

	<u>METHOD</u>	<u>CATEGORY</u>	<u>TOTAL RETAIL</u>	<u>RS</u>	<u>SGS</u>	<u>MGS</u>	<u>LGS</u>	<u>QP</u>	<u>CIP-TOD</u>	<u>MW</u>	<u>OL</u>	<u>SL</u>
Production Allocator	B-I-P		100.0000%	41.6510%	1.0971%	8.7867%	10.6720%	11.3674%	25.7510%	0.0898%	0.4868%	0.0981%
Bulk Transmission Allocator	B-I-P		100.0000%	41.6510%	1.0971%	8.7867%	10.6720%	11.3674%	25.7510%	0.0898%	0.4868%	0.0981%
Sub Transmission Allocator	KPCo		100.0000%	40.8373%	0.8693%	8.7564%	11.6237%	13.2825%	24.5518%	0.0790%	0.0000%	0.0000%
Transmission Total	KPCo FORMULA		100.0000%	41.3337%	1.0083%	8.7749%	11.0431%	12.1143%	25.2833%	0.0856%	0.2970%	0.0598%
RB_GUP_EPIS_P	B-I-P		100.0000%	41.6510%	1.0971%	8.7867%	10.6720%	11.3674%	25.7510%	0.0898%	0.4868%	0.0981%
RB_GUP_EPIS_T	KPCo FORMULA		100.0000%	41.3337%	1.0083%	8.7749%	11.0431%	12.1143%	25.2833%	0.0856%	0.2970%	0.0598%